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新絲路文旅有限公司

NEW SILKROAD CULTURALTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 472)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the “**Board**”) of directors (the “**Directors**”) of New Silkroad Culturaltainment Limited (the “**Company**”) announces the audited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations			
Revenue	3	117,551	211,185
Cost of revenue		(88,070)	(135,397)
Gross profit		29,481	75,788
Other revenue, gains and losses	5	30,612	13,290
Selling and distribution expenses		(43,693)	(49,823)
Administrative and other operating expenses		(79,249)	(99,665)
Impairment loss of goodwill	11	(13,850)	(61,091)
Impairment loss of intangible assets	12	(19,961)	–
Impairment loss under expected credit loss model, net of reversal		(19,583)	(4,884)
Gain on disposal of subsidiaries		–	21,115
Loss from operating activities	6	(116,243)	(105,270)
Finance costs	7	(5,852)	(5,211)

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Loss before taxation		(122,095)	(110,481)
Income tax credit/(expense)	8	<u>7,785</u>	<u>(299)</u>
Loss for the year from continuing operations		(114,310)	(110,780)
Discontinued operations			
Loss for the year from discontinued operations, net of income tax		<u>—</u>	<u>(118,716)</u>
Loss for the year		<u>(114,310)</u>	<u>(229,496)</u>
Loss attributable to:			
Owners of the Company			
— from continuing operations		(92,028)	(80,380)
— from discontinued operations		<u>—</u>	<u>(108,349)</u>
		(92,028)	(188,729)
Non-controlling interests		<u>(22,282)</u>	<u>(40,767)</u>
		<u>(114,310)</u>	<u>(229,496)</u>
Loss per share from continuing and discontinued operations			
Basic and diluted	10	<u>HK(2.87) cents</u>	<u>HK(4.92) cents</u>
Loss per share from continuing operations			
Basic and diluted	10	<u>HK(2.87) cents</u>	<u>HK(2.10) cents</u>
Loss per share from discontinued operations			
Basic and diluted	10	<u>N/A</u>	<u>HK(2.82) cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	(114,310)	(229,496)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss:</i>		
Remeasurement of defined benefit plans	1,641	(1,258)
Change in fair value of financial asset at fair value through other comprehensive income	–	(434)
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences arising from translation of foreign operations	80,825	(48,031)
<i>Item that was reclassified to profit or loss:</i>		
Release of translation reserve upon disposal of subsidiaries	–	12,576
	<hr/>	<hr/>
Other comprehensive income/(loss) for the year, net of income tax	82,466	(37,147)
	<hr/>	<hr/>
Total comprehensive loss for the year	(31,844)	(266,643)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive loss attributable to owners of the Company:		
— from continuing operations	(13,906)	(105,474)
— from discontinued operations	–	(108,349)
	<hr/>	<hr/>
	(13,906)	(213,823)
Non-controlling interests	(17,938)	(52,820)
	<hr/>	<hr/>
	(31,844)	(266,643)
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current assets			
Property, plant and equipment		958,281	896,413
Right-of-use assets		53,699	38,759
Goodwill	<i>11</i>	–	14,130
Intangible assets	<i>12</i>	452,400	448,034
Prepayments for purchase of property, plant and equipment		41,127	40,768
Contract costs		–	31,303
Deferred tax assets		7,065	2,599
		1,512,572	1,472,006
Current assets			
Inventories		209,264	209,998
Properties under development		2,135,141	1,539,538
Trade receivables	<i>13</i>	8,349	21,996
Prepayments, deposits paid and other receivables		257,580	370,239
Contract costs		34,567	–
Short-term loan receivables		63	2,184
Cash and cash equivalents		213,434	266,197
		2,858,398	2,410,152
Current liabilities			
Trade payables	<i>14</i>	56,114	46,018
Accruals and other payables		183,551	123,232
Contract liabilities		17,718	35,666
Amounts due to related parties		8,003	7,127
Loans from non-controlling shareholders of subsidiaries		112,157	704
Bank borrowings — due within one year		1,747,713	–
Lease liabilities		6,898	3,606
Deferred revenue		–	134
Contingent consideration payable		–	45,246
Tax payable		1,419	2,632
		2,133,573	264,365
Net current assets		724,825	2,145,787
Total assets less current liabilities		2,237,397	3,617,793

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital and Reserves		
Share capital	32,076	32,076
Reserves	1,662,517	1,676,423
	<u>1,694,593</u>	<u>1,708,499</u>
Non-controlling interests	373,341	391,279
	<u>2,067,934</u>	<u>2,099,778</u>
Non-current liabilities		
Loan from immediate holding company	20,396	24,906
Loans from non-controlling shareholders of subsidiaries	–	101,969
Bank borrowings — due after one year	–	1,255,303
Lease liabilities	41,378	27,964
Deferred tax liabilities	100,913	100,151
Net defined benefits liabilities	6,776	7,722
	<u>169,463</u>	<u>1,518,015</u>
	<u><u>2,237,397</u></u>	<u><u>3,617,793</u></u>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its issued shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its immediate parent is Marco-Link International Land Limited, a company incorporated in Hong Kong, and its ultimate parent is Cheung Shek Investment Company Limited, a company incorporated in The People’s Republic of China (the “**PRC**”).

The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company and the principal activities of its subsidiaries are (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in South Korea and Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the References to the Conceptual Framework for Financial Reporting 2018 (the “**Conceptual Framework**”) and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Conceptual Framework and the amendments to HKFRSs in the current year has had no material impact on the Group’s consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE

An analysis of the Group's revenue from contracts with customers for the year from continuing operations is as follows:

	2020 HK\$'000	2019 HK\$'000
(i) Revenue recognised at a point in time:		
Production and distribution of wine	117,160	128,545
Entertainment business	391	82,640
	<u>117,551</u>	<u>211,185</u>
(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the end of the reporting period		

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is Australian dollar(s) ("AUD") 553,529,000 (equivalent to HK\$3,120,311,000) (2019: AUD553,529,000 (equivalent to HK\$3,018,156,000)). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development. The Group will recognise the expected revenue in future in respect of the properties under development for sales, when the properties are assigned to the customers, which is expected to occur within one year (2019: more than one year but not exceeding two years).

4. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting framework, the Group has identified operating segments based on its products and services. The operating segments are identified by senior management who is designated as "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance.

The Group has three reportable segments from the continuing operations, namely (i) development and operation of real estate, integrated resort and cultural tourism; (ii) production and distribution of wine; and (iii) entertainment business. The segmentations are based on the business nature of the Group's operations that management uses to make decisions.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments for the current and prior years:

	Continuing operations							
	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Segment Revenue								
Revenue from external customers	–	–	117,160	128,545	391	82,640	117,551	211,185
Segment (loss)/profit	(26,034)	(10,626)	(15,343)	3,936	(64,830)	(76,973)	(106,207)	(83,663)
Unallocated corporate income							1,017	452
Unallocated corporate expenses							(11,053)	(22,059)
Finance costs							(5,852)	(5,211)
Loss before taxation							(122,095)	(110,481)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales during both years.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment results represented the loss incurred or profit earned by each segment without allocation of central administration costs including directors' emoluments, government grant, other income and finance costs. This is the measure reported to the Chief Operating Decision Maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

31 December 2020

	Real estate, integrated resort and cultural tourism <i>HK\$'000</i>	Continuing operations		Total <i>HK\$'000</i>
		Wine <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	
Segment assets	3,396,529	479,807	472,813	4,349,149
Unallocated				21,821
Consolidated total assets				4,370,970
Segment liabilities	1,879,829	255,171	139,988	2,274,988
Unallocated				28,048
Consolidated total liabilities				2,303,036

31 December 2019

	Real estate, integrated resort and cultural tourism <i>HK\$'000</i>	Continuing operations		Total <i>HK\$'000</i>
		Wine <i>HK\$'000</i>	Entertainment business <i>HK\$'000</i>	
Segment assets	2,895,189	451,982	503,782	3,850,953
Unallocated				31,205
Consolidated total assets				3,882,158
Segment liabilities	1,397,701	217,314	133,828	1,748,843
Unallocated				33,537
Consolidated total liabilities				1,782,380

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments except for certain assets which are managed on a group basis; and
- all liabilities are allocated to reportable segments except for other financial liabilities which are managed on a group basis.

Geographical information

The Group's operations are located in the PRC (including Hong Kong), South Korea and Australia.

The following is a geographical analysis of the Group's revenue from continuing operations from external customers (based on where the goods are sold and the services are provided) and non-current assets (based on the geographical location of the assets) for the current and prior years:

	Revenue from continuing operations from external customers		Non-current assets <i>(note)</i>	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC (including Hong Kong)	117,160	128,545	212,386	193,610
South Korea	391	82,640	1,283,198	1,232,383
Australia	—	—	9,923	43,414
	<u>117,551</u>	<u>211,185</u>	<u>1,505,507</u>	<u>1,469,407</u>

Note: Non-current assets excluded those relating to deferred tax assets.

5. OTHER REVENUE, GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Government grants	18,671	6,345
Bank interest income	2,121	2,651
Gain from default fine due to early termination of rental agreement <i>(note)</i>	—	1,388
Net gain/(loss) on disposal of property, plant and equipment	4,057	(841)
Net foreign exchange gain/(loss)	2,577	(208)
Others	3,186	3,955
	<u>30,612</u>	<u>13,290</u>

Note: The gain represented a default fine received from a landlord due to early termination of a lease agreement of certain lands in the PRC.

6. LOSS FROM OPERATING ACTIVITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Loss from operating activities has been arrived at after charging/(crediting):		
Staff costs, including directors' emoluments		
— Salaries and allowances	41,223	74,582
— Retirement benefits scheme contributions	3,448	6,438
	<u>44,671</u>	<u>81,020</u>
Total staff costs		
Auditor's remuneration		
— audit service	1,200	1,200
— non-audit services	—	449
Amortisation of intangible assets	583	588
Cost of inventories recognised as expenses	73,293	57,234
Net (gain)/loss on disposal of property, plant and equipment	(4,057)	841
Depreciation of property, plant and equipment	17,494	17,730
Depreciation of right-of-use assets	7,727	6,357
Impairment loss on trade receivables, net of reversal	17,514	4,641
Impairment loss on short-term loan receivables, net of reversal	2,069	243
Research and development costs	714	1,617
	<u>714</u>	<u>1,617</u>

7. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Continuing operations		
Interest expenses on bank borrowings	89,644	16,579
Interest expenses on loan from immediate holding company	2,065	33,004
Finance charges on lease liabilities	3,770	2,196
	<u>95,479</u>	<u>51,779</u>
Less: Amounts capitalised in the cost of qualifying assets	(89,627)	(46,568)
	<u>5,852</u>	<u>5,211</u>

Borrowing costs capitalised to properties under development at a rate of 5.01% (2019: 6.06%) per annum.

8. INCOME TAX (CREDIT)/EXPENSE

	2020 HK\$'000	2019 HK\$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	920	3,995
Other Jurisdictions	3	11
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	126	(2,703)
Deferred tax	(8,834)	(1,004)
	<u>(7,785)</u>	<u>299</u>

Hong Kong Profits Tax

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits in Hong Kong for both years.

PRC Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC, the PRC income tax rate for the Company's subsidiaries established in the PRC was 25% for both years.

Other Jurisdictions

Taxation of overseas subsidiaries (other than Hong Kong and the PRC) are calculated at the applicable rates prevailing in the jurisdictions in which the subsidiary operates.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil).

10. LOSS PER SHARE

(a) Continuing and discontinued operations

The calculation of basic and diluted loss per share from continuing and discontinued operations are based on the following data:

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(92,028)</u>	<u>(188,729)</u>
	Number of shares	
	2020	2019
Weighted average number of shares for the purposes of basic and diluted loss per share	<u>3,207,591,674</u>	<u>3,835,388,934</u>

(b) Continuing operations

The calculation of basic and diluted loss per share from continuing operations are based on the following data:

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(92,028)</u>	<u>(80,380)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

(c) Discontinued operations

The calculation of basic and diluted loss per share from discontinued operations are based on the following data:

	2020 HK\$'000	2019 HK\$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>—</u>	<u>(108,349)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share from continuing and discontinued operations.

For the years ended 31 December 2020 and 2019, the computations of diluted loss per share were on the assumption that the Company's share options would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

Diluted loss per share and the basic loss per share for the years ended 31 December 2020 and 2019 were the same as there were no potential dilutive ordinary shares in both years.

11. GOODWILL

HK\$'000

Cost

At 1 January 2019	253,180
Disposal of subsidiaries	(47,531)

At 31 December 2019 and 1 January 2020	205,649
Exchange realignment	4,444

At 31 December 2020	210,093
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Accumulated impairment losses

At 1 January 2019	177,959
Impairment loss recognised in the year	61,091
Disposal of subsidiaries	(47,531)

At 31 December 2019 and 1 January 2020	191,519
Impairment loss recognised in the year	13,850
Exchange realignment	4,724

At 31 December 2020	210,093
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Carrying amount

At 31 December 2020	–
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At 31 December 2019	14,130
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12. INTANGIBLE ASSETS

	Farmland development <i>HK\$'000</i>	Entertainment licence <i>HK\$'000</i>	Technical know-how <i>HK\$'000</i>	Trademarks <i>HK\$'000</i>	Internet finance platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost						
At 1 January 2019	14,599	462,185	1,735	24,327	931,656	1,434,502
Disposal of subsidiaries	–	–	–	(23,262)	(929,708)	(952,970)
Exchange realignment	(269)	(18,330)	(34)	(483)	(1,948)	(21,064)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019 and 1 January 2020	14,330	443,855	1,701	582	–	460,468
Exchange realignment	855	26,241	110	40	–	27,246
Transfer from construction in progress	34	–	–	–	–	34
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	15,219	470,096	1,811	622	–	487,748
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated amortisation and impairment						
At 1 January 2019	9,746	–	1,735	24,327	–	35,808
Exchange realignment	(183)	–	(34)	(483)	–	(700)
Charge for the year	588	–	–	–	–	588
Disposal of subsidiaries	–	–	–	(23,262)	–	(23,262)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019 and 1 January 2020	10,151	–	1,701	582	–	12,434
Exchange realignment	617	1,603	110	40	–	2,370
Charge for the year	583	–	–	–	–	583
Impairment loss	–	19,961	–	–	–	19,961
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2020	11,351	21,564	1,811	622	–	35,348
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount						
At 31 December 2020	3,868	448,532	–	–	–	452,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2019	4,179	443,855	–	–	–	448,034
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	10,043	5,738
Receivables from entertainment business	24,042	22,700
Less: allowance for expected credit losses	<u>(25,736)</u>	<u>(6,442)</u>
	<u>8,349</u>	<u>21,996</u>

The Group generally allows an average credit period ranging from 30 to 180 days (2019: 30 to 180 days) to its trade customers. For receivables of entertainment business, a credit period is generally six months. The Group does not hold any collateral over these balances.

(i) Trade receivables

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	5,916	3,567
More than 30 days and within 60 days	1,085	748
More than 60 days and within 90 days	303	–
More than 90 days and within 180 days	770	155
More than 180 days and within 360 days	<u>275</u>	<u>195</u>
At 31 December	<u>8,349</u>	<u>4,665</u>

(ii) Receivables from entertainment business

An aged analysis of the receivables of entertainment business as at the end of the reporting period, based on date of credit granted and net allowance for expected credit losses, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current (not past due)	–	31
1 to 90 days past due	–	–
91 to 180 days past due	–	5,888
181 to 365 days past due	<u>–</u>	<u>11,412</u>
At 31 December	<u>–</u>	<u>17,331</u>

14. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	35,425	33,398
More than 90 days and within 180 days	8,513	1,553
More than 180 days and within 360 days	11,322	4,133
More than 360 days	854	6,934
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	56,114	46,018
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Trade payables are non-interest-bearing and are repayable within credit periods.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

The Group's operating results for the year ended 31 December 2020 (the “**Year**”) were contributed by the (i) development and operation of integrated resort and cultural tourism in South Korea; (ii) development and operation of real estate in South Korea and Australia; (iii) production and distribution of wine in the PRC; and (iv) operation of entertainment business in South Korea.

Revenue

Revenue for the Year decreased by 44.3% to approximately HK\$117.6 million (2019: HK\$211.2 million) mainly attributable to the severe impact of the novel coronavirus disease 2019 (“**COVID-19**”) pandemic, resulting in a significant drop in the entertainment revenue.

The unexpected outbreak of COVID-19 has caused international travel to nearly come to a halt since early 2020. In addition, the implementation of prevention measures by the Jeju government has led to a significant decrease in visitors. According to the data from Jeju Tourism Organization, visitation to Jeju dramatically decreased by 87.7% in 2020 as compared to 2019. The entertainment revenue plunged by 99.5% to approximately HK\$0.4 million (2019: HK\$82.6 million).

The revenue of wine business, which remained relatively stable as benefiting from the sales promotions on slow-moving inventories, decreased only by 8.9% to approximately HK\$117.2 million (2019: HK\$128.5 million).

Gross Profit

Gross profit dropped by 61.1% to approximately HK\$29.5 million (2019: HK\$75.8 million) primarily because of gross loss of approximately HK\$7.8 million (2019: gross profit of HK\$12.3 million) incurred in the entertainment business.

Gross profit of the wine business also declined by 41.3% to approximately HK\$37.3 million (2019: HK\$63.5 million). To minimise the adverse impact of COVID-19 on the business operation, we have implemented a destocking strategy by offering promotion discounts on the slow-moving inventories which aimed at improving the inventories turnover and cash inflows. As a result, the gross profit margin dropped by 17.6 percentage points to 31.8% (2019: 49.4%).

Other Revenue

Other revenue soared by 130.3% to approximately HK\$30.6 million (2019: HK\$13.3 million) mainly driven by an increase in government grants for supporting the local employment and business operations during the COVID-19 crisis. Among it, government grants rapidly increased by 194.3% to approximately HK\$18.7 million (2019: HK\$6.3 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 12.3% to approximately HK\$43.7 million (2019: HK\$49.8 million). Selling and distribution expenses as a percentage of revenue increased by 13.6 percentage points to 37.2% (2019: 23.6%) as revenue dropped.

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and operating expenses of the entertainment business. The Group has implemented various effective cost-saving measures in response to the adverse operating environment. As such, the administrative and other operating expenses decreased by 20.5% to approximately HK\$79.2 million (2019: HK\$99.7 million).

Impairment losses of goodwill and intangible assets

In view of the deteriorated performance of the entertainment business and the unfavorable changes in market conditions, the Group recognised impairment losses of goodwill and intangible assets of approximately HK\$13.9 million (2019: HK\$61.1 million) and HK\$20.0 million (2019: Nil) respectively based on a business valuation prepared by an independent professional valuer.

Loss before Taxation

The Group's loss before taxation for the Year was approximately HK\$122.1 million (2019: HK\$110.5 million).

Taxation

Taxation of the Group mainly comprised current income tax expenses of approximately HK\$1.0 million (2019: HK\$1.3 million) and deferred tax credit of approximately HK\$8.8 million (2019: HK\$1.0 million) recognised for the impairment loss of intangible assets and the allowance of expected credit losses.

Loss Attributable to Owners of the Company

Taking into consideration the abovementioned factors, loss after taxation for the Year was approximately HK\$114.3 million (2019: HK\$110.8 million from continuing operations). Loss attributable to owners of the Company was approximately HK\$92.0 million (2019: HK\$80.4 million from continuing operations). Basic loss per share attributable to owners of the Company was HK2.87 cents (2019: HK2.10 cents from continuing operations).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were mainly generated from operating activities, advances from immediate holding company as well as loan facilities provided by financial institutions. As at 31 December 2020, the Group recorded a decrease in cash and cash equivalents by 19.8% to approximately HK\$213.4 million (2019: HK\$266.2 million).

As at 31 December 2020, total borrowings increased by 36.0% to approximately HK\$1,880.3 million (2019: HK\$1,382.9 million) as new loans of approximately HK\$348.2 million were drawn for real estate development. Our major borrowings are denominated in Renminbi ("RMB") and AUD. In view of the Group's cash and bank balances, funds generated internally from our operations and the unutilised loan facilities available, we are confident that barring any unforeseen circumstances, the Group will have sufficient resources to meet its debt commitment and working capital requirements in the foreseeable future.

Capital Expenditure

During the Year, our total capital expenditure amounted to approximately HK\$412.7 million (2019: HK\$312.7 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate project. For year 2021, we have budgeted approximately HK\$437.6 million for capital expenditure mainly on the development of the Opera Residence Project in Sydney, Australia and Glorious Hill Project in Jeju, South Korea.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 31 December 2020, the Group's inventories decreased slightly by 0.3% to approximately HK\$209.3 million (2019: HK\$210.0 million). Finished goods also decreased by 52.0% to approximately HK\$29.5 million (2019: HK\$61.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) improved to 204 days for the Year (2019: 379 days) mainly due to destocking of wine inventories.

Balance Sheet Analysis

As at 31 December 2020, total assets of the Group increased by 12.6% to approximately HK\$4,371.0 million (2019: HK\$3,882.2 million). Total assets were composed of current assets of approximately HK\$2,858.4 million (2019: HK\$2,410.2 million) and non-current assets of approximately HK\$1,512.6 million (2019: HK\$1,472.0 million). The increase in total assets was primarily due to the construction costs incurred in the stock of properties.

As at 31 December 2020, total liabilities, which included current liabilities of approximately HK\$2,133.6 million (2019: HK\$264.4 million) and non-current liabilities of approximately HK\$169.4 million (2019: HK\$1,518.0 million), increased by 29.2% to approximately HK\$2,303.0 million (2019: HK\$1,782.4 million) mainly because of the increase of bank borrowing for the real estate project in Australia .

As at 31 December 2020, our total equity was composed of owners' equity of approximately HK\$1,694.6 million (2019: HK\$1,708.5 million) and non-controlling interests of approximately HK\$373.3 million (2019: HK\$391.3 million).

The Group's current ratio as at 31 December 2020 lowered to 1.3 (2019: 9.1) as a result of the reclassification of the long-term debts to be due within one year. Gearing ratio, representing total borrowings divided by total equity, increased to 90.9% (2019: 65.9%) as a results of new loans drawn.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year decreased to 47 days (2019: 80 days).

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 26.7% (2019: 24.9%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 10.7% (2019: 8.0%). The Group's five largest customers accounted for 14.8% (2019: 9.6%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 3.9% (2019: 3.5%).

None of the Directors, their close associates (within the meaning of the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange) or shareholders of the Company which, to the knowledge of the Directors, owned more than 5% of the Company's issued share capital, had any beneficial interest in the five largest suppliers or customers of the Group.

GOVERNMENT SUBSIDIES

During the Year, the Group has been granted subsidies for an aggregate amount of approximately HK\$18.7 million (2019: HK\$6.3 million) from the respective local government for subsidising the Group's technical development and supporting of the local employment.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2019: Nil).

PLEDGE OF ASSETS

At 31 December 2020, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK\$23.9 million (2019: HK\$22.9 million) to secure general bank facilities granted. In addition, the Group pledged the properties under development located in Sydney, Australia in favour of a financial institution which amounted to a book value of approximately HK\$2,135.1 million (2019: HK\$1,539.5 million) to obtain loan for real estate development.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed “LITIGATION UPDATE” in respect of the outstanding legal proceedings against the Group, the Group had no other material contingent liabilities as at 31 December 2020 and 31 December 2019.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group’s revenue, expenses, assets and liabilities are denominated in HK\$, RMB, AUD, Canadian dollar(s) (“CAD”) and South Korean Won (“KRW”).

The functional currency of the Group’s subsidiaries in the PRC is RMB whereas the functional currencies of the Group’s subsidiaries in South Korea, Australia and Canada are KRW, AUD and CAD respectively. There is a natural hedge mechanism in place during the course of its respective business operation and the impact of the foreign exchange risk is low, therefore no financial instruments for hedging purposes are considered necessary. To enhance overall risk management, the Group will review its treasury management function from time to time and will closely monitor its currency and interest rate exposures in order to implement suitable foreign exchange hedging policy as and when appropriate to prevent related risks.

MATERIAL ACQUISITION AND DISPOSAL

During the Year, there was no material acquisition and disposal of subsidiaries, associates or joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 31 December 2020, the Group had no significant investment with a value of 5% or more of the Group’s total assets.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2020, the Group employed a total of 381 (2019: 453) full time employees. The Group’s emolument policies are formulated based on the performance of individual employees and are reviewed annually. The Company has a share option scheme for selected participants as incentive and reward for their contribution to the Group. The Group also provides medical insurance coverage and provident fund schemes (as the case may be) to its employees in compliance with the applicable laws and regulations.

LITIGATION UPDATE

Legal proceeding of MegaLuck Co., Ltd. (“MegaLuck”)

MegaLuck, a non-wholly owned subsidiary of the Company, has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office (the “**Prosecutor Office**”) for outsourcing management of slot machines operation under a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd., allegedly in violation of the Tourism Promotion Act (the “**Act**”) in South Korea.

The judgement was made by Jeju District Court in December 2019 that MegaLuck was given an acquittal on non-violation of the Act (the “**First Trial**”). However, the Prosecutor Office has filed an appeal against the judgement (the “**Appeal**”) with the Appellate Division of Jeju District Court. In January 2021, the judgement was handed down by the Jeju District Court dismissing the Appeal and upholding the judgement of the First Trial.

Legal proceedings of NSR Toronto Holdings Ltd. (“NSR Toronto”)

- (i) NSR Toronto, a wholly-owned subsidiary of the Company, issued a notice of action dated 30 May 2019 and filed a statement of claim dated 27 June 2019 (the “**2019 Claim**”) in the Superior Court of Justice in Ontario (the “**Ontario Court**”) against CIM Development (Markham) LP, CIM Mackenzie Creek Residential GP Inc., CIM Commercial LP, CIM Mackenzie Creek Commercial GP Inc., CIM Mackenzie Creek Inc. and CIM Global Development Inc. (collectively, the “**Project Companies Defendants**”), which were all the then non-wholly owned subsidiaries and/or the associate of the Company, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the “**CIM Defendants**”, together with the Project Companies Defendants, collectively, the “**Defendants**”). Pursuant to the 2019 Claim, NSR Toronto seeks damages for breach of contract and breach of the duty of good faith, for accounting and disgorgement of profits for breach of fiduciary duty and breach of trust for failure or refusal to disclose self-dealing transactions that harmed NSR Toronto’s interests, and for specific performance (or damages in lieu thereof) for refusal to honour their obligations under the agreement entered into with the Group dated 30 May 2017 in amounts to be particularised in the course of proceedings together with interest and costs.

The Defendants filed a statement of defence and counterclaim dated 16 August 2019 (the “**Counterclaim**”) in the Ontario Court to (a) deny any and all liability to NSR Toronto; (b) ask that the action be dismissed; and (c) claim against NSR Toronto for damages, in an amount to be determined prior to trial, relating to the Defendants’ lost profits in the development project.

On 4 October 2019, NSR Toronto filed an amended notice of motion in Ontario Court for, among other matters, (a) an order staying or dismissing the Counterclaim brought on behalf of the Project Companies Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project Companies Defendants which were controlled by NSR Toronto at the time.

On 17 January 2020, the Ontario Court ordered that the Counterclaim brought in the name of the Project Companies Defendants be stayed and the CIM Defendants were ordered to pay NSR Toronto’s costs incurred on the motion.

On 25 February 2020, NSR Toronto delivered an amended claim in which only the CIM Defendants remain as defendants (the “**Amended Claim**”). The Amended Claim reflects certain developments since the 2019 Claim was first issued. On 16 June 2020, the CIM Defendants served a fresh as amended statement of defence and counterclaim to claim against NSR Toronto for breach of contract, breach of fiduciary duties, breach of good faith and misrepresentation for damages in the amount of CAD50 million (equivalent to about HK\$290 million). On 11 September 2020, NSR Toronto delivered reply and defence to the Counterclaim (as amended).

As at the date of this announcement, NSR Toronto is working with its Canadian legal counsel to prepare a discovery plan and consider whether to proceed with a motion to strike out some of the allegations in CIM Defendants' fresh as amended pleading.

- (ii) On 13 March 2020 (Toronto time), NSR Toronto and one of its officers were served in Ontario, Canada, with a statement of claim dated 21 February 2020 (the "**2020 Claim**") filed in the Ontario Court by two Ontario companies (collectively, the "**Plaintiffs**"). The 2020 Claim raises a number of legal and factual allegations against the Company, NSR Toronto, a direct wholly-owned subsidiary of the Company in Hong Kong and the officer of NSR Toronto (collectively, the "**NSR Defendants**") as well as against a number of entities not related to the Group (the "**Other Defendants**"). As against the NSR Defendants, the Plaintiffs seek CAD8 million (equivalent to about HK\$47.7 million) in the aggregate for alleged breaches of contract, conspiracy and punitive damages, including a consulting fee amounted to CAD5 million (equivalent to about HK\$29.8 million) in relation to disposal of a real estate investment project of the Group in 2019 (the "**Disposal**"). Similar claims are being advanced against the Other Defendants.

On 11 May 2020, the NSR Defendants filed a statement of defence in the Ontario Court to deny the allegations of wrongdoing as alleged in the 2020 Claim and to request the action be dismissed.

Subsequently, on 11 February 2021, one of the Plaintiffs served a motion record on the NSR Defendants requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim; (b) an order validating service of the Plaintiff's motion record on the co-Plaintiff; (c) an order dispensing with service or allowing substitutional service by mail on other defendants not yet served with the 2020 Claim; (d) the payment of CAD5 million into the court by each of the NSR Defendants and the Other Defendants pending determination of the Plaintiffs' rights regarding the consulting fee as stated above; and (e) a certificate of pending litigation as against the lands in the Disposal. The Plaintiff's motion is scheduled to be heard on 15 June 2021 in the Ontario Court.

On March 11, 2021, the NSR Defendants took steps to schedule a motion to strike out the allegations in the 2020 Claim (as amended) for failing to disclose a reasonable cause of action against them. As at the date of this announcement, the Ontario Court has yet to schedule a hearing date for the motion.

Based on the advice from the Canadian legal counsel, the Directors consider that it would be premature to assess the likelihood of the potential financial impact on the Company, if any. As such, at this juncture, no provision has been made in the accounts during the Year in respect of the Counterclaim (as amended) and 2020 Claim (as amended).

BUSINESS REVIEW

The past year of 2020 was an extremely extraordinary year. Raging almost throughout the whole year, the early-year outbreak and the spread of COVID-19 epidemic across the globe led to the epidemic prevention measures for lock-downs and ground restrictions imposed by the local governments in many countries. Business activities drastically shrunk. It brought many unprecedented impacts on global economic stability and social development. As a result of the effective pandemic prevention and control policies of the Chinese government, the pandemic has been rapidly controlled in China. The economy of China has gradually come out of the trough with unchanged favorable fundamentals in its long-term economy.

The Group's wine business was affected by the COVID-19 during the year. Yet, the revenue from the wine business fell by only 8.9% to HK\$117.2 million (2019: HK\$128.5 million). In response to the business risks caused by the epidemic, Shangri-la Winery adjusted its business strategy in a timely manner by adopting a usher-out-welcome-in sales plan to activate retaliatory consumption after the epidemic. It is expected that the wine business will still account for the majority of the Group's total revenue until the revenue from the real estate project in Australia is recognised as described below. For this reason, we will focus on marketing and revenue generation and review the possibility of restructuring of business structure in order to be ready to respond to market changes at any time.

Among the two businesses of the Group in Jeju, South Korea, the hotel development project approval of Glorious Hill was obtained, but it was delayed due to project financing obstacles. In addition, operation at the entertainment venue has been suspended temporarily for most of the time in the last year in order to cope with the epidemic prevention measures of the local government. If the epidemic is not brought under control this year, the business prospect in South Korea is arduous. However, the Group will continue to implement cost control measures in response to the adverse business environment. The management is closely monitoring, and will respond cautiously and adjust the business strategy timely.

The Opera Residence in Sydney, Australia topped out in October 2020 and the buyers will be delivered vacant possession in around second quarter of year 2021. The relevant revenue and profit are expected to be recorded in the financial statement of 2021, bringing relatively significant income and investment return to the Group.

As a result of the pandemic effect, the overall revenue of the Group for the year decreased by 44.3% to HK\$117.6 million (2019: HK\$211.2 million), and a loss of HK\$114.3 million (2019: loss of HK\$110.8 million from continuing operations) was recorded. Loss attributable to shareholders of the Company was HK\$92.0 million (2019: loss of HK\$80.4 million from continuing operations). Basic loss per share was HK2.87 cents (2019: loss of HK2.10 cents from continuing operations). As at 31 December 2020, the Group had total assets and net assets valued at HK\$4,371.0 million and HK\$2,067.9 million respectively.

Despite the impacts of the pandemic, the accelerated approvals of vaccine emergency applications and arrangements of citizen vaccine injection plan by the governments are expected to bring the global economies to the post COVID-19 period. The first priority of the governments is to boost the local economy and retrieve the excessive abundant liquidity released during the pandemic. Real estates are the mainstay stones for steady investment and national GDP which is still favored by consumers as stable assets. The overseas real estate and the tourism market have gradually emerged from the impact of the pandemic and will enter the normal operational channel.

The Group believes that, with our quality strategic resources and improved industrial chain building, and a dedicated and proactive core management team, it will continue making progress to move towards a new journey with a surpassing trend.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Year.

CORPORATE GOVERNANCE CODE (THE "CG CODE")

Throughout the Year, the Company has complied with all the applicable code provisions of the CG Code as set out in Appendix 14 of the Listing Rules, except for the deviations from code provision A.2.1 and A.6.7 which are explained as follows:

Code provision A.2.1 provides that the responsibilities between the chairman and chief executive should be divided. Mr. Ma Chenshan, the chairman of the Company, currently performs the duties of chief executive since the retirement of Mr. Ng Kwong Chue, Paul. The Board believes that vesting the roles of both chairman and chief executive in the same person can ensure consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board further believes that the balance of power and authority for the present arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being independent non-executive Directors. However, the Group will also regularly review the board composition and appoint a chief executive if a suitable candidate is identified.

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Each of Mr. Cao Kuangyu and Mr. Tse Kwong Hon, being the independent non-executive Director, was unable to attend the special general meeting of the Company held on 22 January 2020 due to their respective other overseas business engagement, and the annual general meeting of the Company held on 18 June 2020 due to the travel and entry restrictions in force brought by the worldwide COVID-19 outbreak. In addition, Mr. Cao Kuangyu was unable to attend the special general meeting of the Company held on 29 September 2020 due to his other business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS (THE “MODEL CODE”)

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon specific enquiry by the Company, all Directors, except Mr. Su Bo who was removed as the executive Director on 22 January 2020, confirmed that they have complied with the required standard as set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors namely Mr. Ting Leung Huel, Stephen (Chairman), Mr. Tse Kwong Hon and Mr. Cao Kuangyu.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control and risk management systems of the Group, and financial reporting matters including a review of the Group’s annual results for the Year. The Audit Committee was content that the accounting policies of the Group are in accordance with the current best practice in Hong Kong.

SCOPE OF WORK OF BAKER TILLY HONG KONG LIMITED (“BAKER TILLY”)

The figures in respect of the Group’s consolidated statement of financial position as at 31 December 2020, consolidated statement of profit or loss and other comprehensive income for the Year and the related notes thereto as set out in the preliminary announcement have been agreed by the Company’s auditor to the amounts set out in the Group’s consolidated financial statements for the Year. The work performed by the Company’s auditor, Baker Tilly in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards in Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Baker Tilly on the preliminary announcement.

By Order of the Board
New Silkroad Culturaltainment Limited
Ma Chenshan
Chairman and Executive Director

Hong Kong, 29 March 2021

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Ma Chenshan, Mr. Zhang Jian, Mr. Hang Guanyu and Mr. Liu Huaming, and three independent non-executive Directors, namely Mr. Ting Leung Huel, Stephen, Mr. Tse Kwong Hon and Mr. Cao Kuangyu.