Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

新絲路文旅有限公司
NEW SILKROAD CULTURALTAINMENT LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 472)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of New Silkroad Culturaltainment Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2021, together with the comparative results for the previous period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**50,020**	49,572
Cost of revenue		**(24,940)**	(47,392)
Gross profit		**25,080**	2,180
Other revenue, gains and losses	*5*	**8,078**	14,585
Selling and distribution expenses		**(18,293)**	(19,924)
Administrative and other operating expenses		**(25,467)**	(37,520)
Impairment loss under expected credit loss model, net of reversal		**(865)**	(5,400)
Loss from operating activities	*6*	**(11,467)**	(46,079)
Finance costs		**(3,216)**	(4,903)

	Notes	For the six months ended 30 June 2021 (Unaudited) HK$'000	2020 (Unaudited) HK$'000
Loss before taxation		**(14,683)**	(50,982)
Income tax credit	*7*	**36**	1,692
Loss for the period		**(14,647)**	(49,290)
Loss attributable to:			
Owners of the Company		**(11,793)**	(43,489)
Non-controlling interests		**(2,854)**	(5,801)
		(14,647)	(49,290)
Loss per share attributable to owners of the Company			
Basic and diluted	*8*	**HK(0.37) cent**	HK(1.36) cents
Loss for the period		**(14,647)**	(49,290)
Other comprehensive income/(loss)			
Item that may be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**27,622**	(66,312)
Total comprehensive income/(loss) for the period		**12,975**	(115,602)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**12,972**	(98,675)
Non-controlling interests		**3**	(16,927)
		12,975	(115,602)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2021 (Unaudited) *HK$'000***	As at 31 December 2020 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**964,340**	958,281
Right-of-use assets		**52,525**	53,699
Intangible assets		**434,334**	452,400
Prepayments for purchase of property, plant and equipment		**41,599**	41,127
Deferred tax assets		**7,048**	7,065
		1,499,846	1,512,572
Current assets			
Inventories		**210,465**	209,264
Properties under development	*10*	**2,413,341**	2,135,141
Trade and bills receivables	*11*	**8,386**	8,349
Prepayments, deposits paid and other receivables		**255,977**	257,580
Contract costs		**34,165**	34,567
Short-term loan receivables		**60**	63
Cash and cash equivalents		**167,116**	213,434
		3,089,510	2,858,398
Current liabilities			
Trade payables	*12*	**37,101**	56,114
Accruals and other payables		**133,892**	183,551
Contract liabilities		**23,325**	17,718
Amounts due to related parties		**8,496**	8,003
Loans from non-controlling shareholders of subsidiaries		**112,509**	112,157
Bank borrowings — due within one year		**2,022,218**	1,747,713
Lease liabilities		**6,671**	6,898
Tax payable		**321**	1,419
		2,344,533	2,133,573
Net current assets		**744,977**	724,825
Total assets less current liabilities		**2,244,823**	2,237,397

	Notes	As at 30 June 2021 (Unaudited) HK$'000	As at 31 December 2020 (Audited) HK$'000
Capital and Reserves			
Share capital	*13*	**32,076**	32,076
Reserves		**1,675,489**	1,662,517
		1,707,565	1,694,593
Non-controlling interests		**373,344**	373,341
Total equity		**2,080,909**	2,067,934
Non-current liabilities			
Loan from immediate holding company		**17,561**	20,396
Lease liabilities		**42,124**	41,378
Deferred tax liabilities		**97,025**	100,913
Net defined benefits liabilities		**7,204**	6,776
		163,914	169,463
		2,244,823	2,237,397

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is an exempted company incorporated in Bermuda with limited liability and its issued shares (the "**Shares**") are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company is an investment holding company and its principal subsidiaries are engaged in 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 People's Republic of China (the "**PRC**"); and (iv) operation of entertainment business in South Korea.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2020 (the "**2020 Financial Statements**").

The accounting policies used in preparing the interim financial statements are consistent with those used in the 2020 Financial Statements, except for the amended Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which have become effective in this period as per below:

Amendment to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The adoption of these amendments to HKFRSs has had no significant financial effect on the financial position or performance of the Group.

3. REVENUE

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue recognised at a point in time:		
Production and distribution of wine	**50,020**	49,192
Entertainment business	**–**	380
	50,020	49,572

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

The Group's measurement methodology used to determine reporting segment profit or loss remains unchanged from 2020.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments for the six months ended 30 June 2021 and 2020:

	Real estate, integrated resort and cultural tourism		**Wine**		**Entertainment business**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**–**	–	**50,020**	49,192	**–**	380	**50,020**	49,572
Segment (loss)/profit	**(9,615)**	(10,347)	**6,771**	(16,821)	**(5,257)**	(14,495)	**(8,101)**	(41,663)
Unallocated corporate income							**330**	500
Unallocated corporate expenses							**(3,696)**	(4,916)
Finance costs							**(3,216)**	(4,903)
Loss before taxation							**(14,683)**	(50,982)
Income tax credit							**36**	1,692
Loss for the period							**(14,647)**	(49,290)

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

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 revenue 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 expenses and income, including directors' emoluments, 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.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments as at 30 June 2021 and 31 December 2020:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**3,650,495**	3,396,529	**472,134**	479,807	**449,989**	472,813	**4,572,618**	4,349,149
Unallocated							**16,738**	21,821
Consolidated total assets							**4,589,356**	4,370,970
Segment liabilities	**2,109,508**	1,879,829	**241,572**	255,171	**132,252**	139,988	**2,483,332**	2,274,988
Unallocated							**25,115**	28,048
Consolidated total liabilities							**2,508,447**	2,303,036

For the purposes 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. All liabilities are allocated to reportable segments except for certain financial liabilities which are managed on a group basis.

(c) Geographical information

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

The following is an analysis of the Group's revenue from external customers and information about its non-current assets by geographical location of the assets:

	Revenue from external customers For the six months ended 30 June		Non-current assets	
			As at 30 June	As at 31 December
	2021	2020	**2021**	2020
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC (including Hong Kong)	**50,020**	49,192	**248,642**	212,386
South Korea	**–**	380	**1,236,094**	1,283,198
Australia	**–**	–	**8,064**	9,923
	50,020	49,572	**1,492,800**	1,505,507

5. OTHER REVENUE, GAINS AND LOSSES

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Government grants	**6,744**	10,961
Bank interest income	**275**	1,587
Service income	**–**	853
Gain on disposal of property, plant and equipment	**–**	678
Others	**1,059**	506
	8,078	14,585

6. LOSS FROM OPERATING ACTIVITIES

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss from operating activities has been arrived at after charging/(crediting):		
Staff costs, including directors' emoluments		
– Salaries and allowances	**15,539**	18,957
– Retirement benefit scheme contributions	**1,651**	2,324
Total staff costs	**17,190**	21,281
Amortisation of intangible assets	**308**	286
Depreciation of right-of-use assets	**3,948**	2,923
Cost of inventories recognised as expenses	**19,333**	39,356
Loss/(gain) on disposal of property, plant and equipment	**9**	(678)
Depreciation of property, plant and equipment	**6,110**	7,205

7. INCOME TAX CREDIT

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax – PRC Enterprise Income Tax	**(190)**	(270)
Deferred tax credit	**226**	1,962
	36	1,692

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2021 (2020: Nil) as the Group has no assessable profits derived from Hong Kong for the period.

Subsidiaries established in the PRC are subject to a tax rate of 25% for both periods.

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.

8. LOSS PER SHARE

The calculation of basic and diluted loss per Share are based on the following data:

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company	**(11,793)**	(43,489)
Number of Shares		
Weighted average number of Shares for the purpose of basic and diluted loss per Share	**3,207,591,674**	3,207,591,674

For the periods ended 30 June 2021 and 2020, the computation 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 six months ended 30 June 2021 and 2020 were the same as there were no potential dilutive ordinary Shares in these periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment at a total cost of approximately HK$2,848,000 (six months ended 30 June 2020: HK$3,166,000). Loss on disposal of property, plant and equipment of approximately HK$9,000 was incurred during the period (six months ended 30 June 2020: gain of HK$678,000).

10. PROPERTIES UNDER DEVELOPMENT

	As at 30 June 2021	As at 31 December 2020
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Properties under development, at cost	**2,413,341**	2,135,141

Properties under development represented the project costs, land acquisition costs, finance costs and other preliminary infrastructure costs in relation to the Group's property development project in Australia. As at 30 June 2021 and 31 December 2020, the Group's properties under development were pledged as securities for the Group's bank borrowings.

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2021 (Unaudited) *HK$'000*	As at 31 December 2020 (Audited) *HK$'000*
Trade and bills receivables	**11,006**	10,043
Receivables from entertainment business	**23,092**	24,042
Less: allowance for expected credit losses	**(25,712)**	(25,736)
	8,386	8,349

The Group generally allows an average credit period ranging from 30 to 180 days (31 December 2020: 30 to 180 days) to its trade customers. For receivables of entertainment business, the credit period is generally six months. The Group does not hold any collateral over these balances.

(i) Trade and bills receivables

An aged analysis of the trade and bills 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:

	As at 30 June 2021 (Unaudited) *HK$'000*	As at 31 December 2020 (Audited) *HK$'000*
Within 30 days	**1,102**	5,916
More than 30 days and within 60 days	**–**	1,085
More than 60 days and within 90 days	**183**	303
More than 90 days and within 180 days	**1,308**	770
More than 180 days and within 365 days	**5,793**	275
	8,386	8,349

All trade and bills receivables were denominated in RMB.

(ii) Receivables of entertainment business

All receivables of entertainment business were denominated in South Korean Won ("**KRW**") and fully impaired as at 30 June 2021 and 31 December 2020.

12. TRADE PAYABLES

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
	HK$'000	*HK$'000*
Within 90 days	**8,698**	35,425
More than 90 days and within 180 days	**688**	8,513
More than 180 days and within 360 days	**25,401**	11,322
More than 360 days	**2,314**	854
	37,101	56,114

The average credit period on purchase of goods is 90 days. Trading payables are non interest-bearing and unsecured.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

The Group's operating results for the period ended 30 June 2021 (the "**Period**") 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 People's Republic of China (the "**PRC**"); and (iv) operation of entertainment business in South Korea.

Revenue

Revenue for the Period increased slightly by 0.9% to approximately HK$50.0 million (six months ended 30 June 2020: HK$49.6 million) which was attributable to our wine business.

As the situation of pandemic prevention and control in China continued to improve, our wine business has been gradually recovering from the pandemic following the rebound of China's economy in the first half of 2021, in particular the recovery of domestic consumption. The revenue of our wine business increased by 1.68% to HK$50.0 million (six months ended 30 June 2020: HK$49.2 million).

However, our entertainment business is still suffering from the impact of the pandemic as the situation of COVID-19 outbreak in South Korea remain very volatile with the prevention measures continued to maintain in Jeju. As such, no revenue was generated by the entertainment business for the Period (six months ended 30 June 2020: HK$0.4 million).

Gross Profit

The Group's gross profit soared by 1,050.5% to approximately HK$25.1 million (six months ended 30 June 2020: HK$2.2 million) mainly attributable to the improvement in the wine business by optimizing the product mix for the Period as compared with the low base in the same period of 2020 due to the implementation of destocking strategy on slow-moving inventories. Gross profit of wine business jumped by 277.5% to approximately HK$27.2 million (six months ended 30 June 2020: HK$7.2 million), giving a gross profit margin of 54.4% (six months ended 30 June 2020: 14.6%) mainly due to the effort of refining revenue portfolio by boosting the sales of its medium to high-end winery products.

In response to the difficult market situation of entertainment business, the Group has adopted a series of cost control measures. The gross loss of entertainment business decreased by 58.0% to approximately HK$2.1 million (six months ended 30 June 2020: HK$5.0 million).

Other Revenue

Other revenue decreased by 44.6% to approximately HK$8.1 million (six months ended 30 June 2020: HK$14.6 million) mainly because the government grants decreased by 38.5% to approximately HK$6.7 million (six months ended 30 June 2020: HK$11.0 million).

Selling and Distribution Expenses

Selling and distribution expenses decreased by 8.2% to approximately HK$18.3 million (six months ended 30 June 2020: HK$19.9 million) mainly due to the decrease in promotion expenses of the wine business.

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. During the Period, administrative and other operating expenses decreased by 32.1% to approximately HK$25.5 million (six months ended 30 June 2020: HK$37.5 million) mainly attributable to the decrease in operating expenses of the entertainment business after various cost-saving measures have been implemented.

Loss Before Tax

As a result of the turnaround of the wine business, the Group's loss before tax decreased to approximately HK$14.7 million (six months ended 30 June 2020: HK$51.0 million).

Taxation

Taxation of the Group mainly comprised current income tax expenses of approximately HK$190,000 (six months ended 30 June 2020: HK$270,000) and deferred tax credit of approximately HK$226,000 (six months ended 30 June 2020: HK$2.0 million) recognised for allowance of expected credit losses.

Loss Attributable to Owners of the Company

Taking into consideration the above-mentioned factors, loss after tax for the Period decreased by 70.3% to approximately HK$14.6 million (six months ended 30 June 2020: HK$49.3 million). Loss attributable to owners of the Company decreased to approximately HK$11.8 million (six months ended 30 June 2020: HK$43.5 million).

LIQUIDITY AND FINANCIAL RESOURCES

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 30 June 2021, the Group recorded a decrease in cash and cash equivalents by 21.7% to approximately HK$167.1 million (31 December 2020: HK$213.4 million).

As at 30 June 2021, total borrowings (excluding lease liabilities) increased by 14.5% to approximately HK$2,152.3 million (31 December 2020: HK$1,880.3 million) as new loans of approximately HK$265.1 million were drawn for real estate development. Our major borrowings are denominated in Renminbi ("**RMB**") and Australian dollar(s) ("**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.

Balance Sheet Analysis

Total assets of the Group, which consisted of non-current assets of approximately HK$1,499.8 million (31 December 2020: HK$1,512.6 million) and current assets of approximately HK$3,089.5 million (31 December 2020: HK$2,858.4 million), increased by 5.0% to approximately HK$4,589.3 million (31 December 2020: HK$4,371.0 million).

Total liabilities, which included current liabilities of approximately HK$2,344.5 million (31 December 2020: HK$2,133.6 million) and non-current liabilities of approximately HK$163.9 million (31 December 2020: HK$169.5 million), increased by 8.9% to approximately HK$2,508.4 million (31 December 2020: HK$2,303.1 million). As at 30 June 2021, our total equity was composed of owners' equity of approximately HK$1,707.6 million (31 December 2020: HK$1,694.6 million) and non-controlling interests of approximately HK$373.3 million (31 December 2020: HK$373.3 million).

Current ratio, being current assets divided by current liabilities, was maintained at a stable level of 1.32 (31 December 2020: 1.34).

Gearing ratio, being total borrowings divided by total equity, increased to 103.4% (31 December 2020: 90.9%) as a result of new loans drawn.

Trade receivables turnover ratio, being average trade receivables divided by revenue, decreased to 31 days (31 December 2020: 47 days).

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 30 June 2021, the Group's inventories slightly increased by 0.6% to approximately HK$210.5 million (31 December 2020: HK$209.3 million). Finished goods also increased by 34.0% to approximately HK$39.5 million (31 December 2020: HK$29.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) increased to 270 days for the Period (31 December 2020: 204 days).

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the Period (six months ended 30 June 2020: Nil).

PLEDGE OF ASSETS

As at 31 December 2021, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$23.4 million (31 December 2020: HK$23.7 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$2,413.3 million (31 December 2020: HK$2,135.1 million) to obtain loan for real estate development.

CONTINGENT LIABILITIES

Save as disclosed in the below section headed "LITIGATION UPDATE" in respect of the legal proceedings against the Group, the Group had no material contingent liabilities as at 30 June 2021.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK$, RMB, KRW, Canadian dollars ("**CAD**") and AUD. 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 in KRW, AUD and CAD respectively. There is a natural hedge mechanism in place during the course of their 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 Period, there was no material acquisition and disposal of subsidiaries, associates or joint ventures by the Group.

SIGNIFICANT INVESTMENT

As at 30 June 2021, the Group has no significant investment with a value of 5% or more of the Group's total assets.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 30 June 2021, the Group employed a total of 314 (31 December 2020: 381) full time employees. The Group's emolument policies are formulated based on the performance of individual employees and are reviewed annually. 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 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 (the "**Amended 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 Amended Counterclaim.

As at the date of this announcement, NSR Toronto is working with its Canadian legal counsel to consider resurgence in this case in the second half of year 2021 in regard to 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, its direct wholly-owned subsidiary in Hong Kong (the "**NSR Defendants I**"), NSR Toronto and the officer of NSR Toronto (the "**NSR Defendants II**", together with the "**NSR Defendants I**", 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 II 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 requesting from the Ontario Court, among other things, (a) an order allowing the Plaintiff to amend its 2020 Claim, among which, a certificate of pending litigation as against the lands in the Disposal (the "**Amended 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 the NSR Defendants I which have not been served yet with the 2020 Claim; and (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 (the "**Plaintiff's motion**") .

On 5 May, 2021, the NSR Defendants II served a motion record for an order striking out the claims against them in the Amended 2020 Claim under the Rules of Civil Procedure (the "**NSR Defendants II's motion**"). On 31 May 2021, one of the Plaintiffs served a responding factum for an order requesting the NSR Defendants II's motion be dismissed.

On 15 June 2021, the Ontario Court ordered in respect of the Plaintiff's motion, among other things, (a) to dispense with service or for substitutional service on the NSR Defendants I; and (b) validating service on the co-Plaintiff.

(iii) On 9 June 2021, (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court against Global King Inc ("**Global King**"). Pursuant to this claim, NSR Toronto seeks compensatory damages of CAD 7.2 million and punitive and exemplary damage of CAD 0.1 million damages for Global King's interfering with the disposition of Mackenzie Creek Project in 2019. Global King Inc responded with a statement of defence on 29 July 2021. An onwards trial schedule is expected to be agreed by legal counsels of both the Plaintiff and the Defendant in next few weeks.

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 Period in respect of the Amended Counterclaim and the Amended 2020 Claim.

REVIEW OF OPERATION AND PROSPECTS

ECONOMIC OUTLOOK

In the first half of year 2021 the novel coronavirus ("**COVID-19**") epidemic remained persistent and posed great concern to different countries around the world. It is expected to have a lasting and constant impact on the economic development of various countries. On the other hand, as the epidemic is brought under control in China, the Chinese government has lifted certain restrictions in the first half of the year, enabling public consumption of goods and use of services to recover, and the Chinese economic growth has led to a recovery in domestic demand. The long-term positive fundamentals of China's domestic economy has not been changed. The economic environment in 2021, with this internal and external gap, has quietly drawn the curtain.

OPERATION REVIEW

Wine Operation

The Group's wine business benefited from the improvement in China's epidemic prevention and control. Therefore, following the recovery of China's economy in the first half of 2021, especially after the resumption of consumption, the wine business has gradually recovered from the epidemic. The revenue from the wine business increased by 1.68%. It is expected that the winery business will account for the majority of the Group's total revenue in the upcoming years. For this reason, we will continue to focus on marketing and revenue generation and review the possibility of restructuring our business in order to be ready to respond to market changes at any time.

Business operations in South Korea

Among the two businesses of the Group in Jeju, South Korea, because the situation of COVID-19 outbreak in South Korea remain very volatile with the prevention measures continued to maintain in Jeju, our entertainment business is still suffering from the impact of the pandemic. The hotel development project of Glorious Hill was delayed due to project financing difficulty and strict COVID-19 prevention measures. The prospect of the business in South Korea is arduous. The Board will continue to pay close attention and assess the operational situation on the business and make timely adjustment and changes if necessary.

Real Estate Operations

The Opera Residence in Sydney, Australia was completed for construction works in the first half of year 2021. The relevant compliance and acceptance from the government and our Group was finished. However, due to the lockdown of Sydney in July and August 2021, the delivery to the buyers for vacant possession could only take place in the second half of year 2021. It is expected that it will bring relatively large income and investment return to the Group after the delivery.

RESULT REVIEW

As (i) the revenue from wine business increased by 1.68% to HK$50.0 million (For the six months ended 30 June 2020: HK$49.2 million), (ii) no revenue came from the entertainment business during the Period (For the six months ended 30 June 2020: HK$0.4 million), total revenue for the Period increased slightly by 0.9% to approximately HK$50.0 million (For the six months ended 30 June 2020: HK$49.6 million). The Group recorded loss of approximately HK$14.6 million (For the six months ended 30 June 2020: loss of HK$49.3 million). Loss attributable to shareholders of the Company was HK$11.8 million (For the six months ended 30 June 2020: loss of HK$43.5 million); Basic loss per share was HK0.37 cents (For the six months ended 30 June 2020: loss of HK1.36 cents). As at 30 June 2021, the Group had total assets and net assets valued at HK$4,589.4 million and HK$2,080.9 million respectively.

PROSPECTS

Despite the impact of the epidemic, with the approval of vaccines from various countries in 2021 and the successive arrangements for universal vaccinations, the consumer sentiment in most countries is expected to be further restored. However, at the same time a new wave of COVID-19 variant virus strikes through the community while some industries have sprung up during this period . The Group firmly believes that under this circumstance, it is necessary to prudently use the funds retrieved from the projects to form better strategic plans and allocation of resources and improve the investment layout, so as to provide shareholders with substantial investment returns.

EVENTS AFTER THE END OF THE PERIOD

No matters or circumstances have occurred subsequent to the end of the Period which has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state-of-affairs of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations.

The Company has applied the principles and complied with all the applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period except for the deviation from code provisions A.2.1 and A.6.7.

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. 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. Mr. Cao Kuangyu, being the independent non-executive Director, was unable to attend the annual general meeting of the Company held on 9 June 2021 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 to the Listing Rules. Upon specific enquiry by the Company, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

AUDIT COMMITTEE

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

The unaudited condensed consolidated interim financial information of the Group for the Period has been reviewed by the Audit Committee. The Audit Committee has also reviewed with the management in relation to the accounting principles and practices adopted by the Group and financial reporting matters of the Group.

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

Hong Kong, 25 August 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.