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 2021

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 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*3*	**2,601,733**	117,551
Cost of revenue		**(2,049,863)**	(88,070)
Gross profit		**551,870**	29,481
Other revenue, gains and losses	*5*	**15,033**	30,612
Selling and distribution expenses		**(94,729)**	(43,693)
Administrative and other operating expenses		**(82,141)**	(79,249)
Impairment loss of goodwill	*11*	**–**	(13,850)
Impairment loss of intangible assets	*12*	**(268,697)**	(19,961)
Impairment loss under expected credit loss model, net of reversal		**388**	(19,583)

	Notes	**2021** HK$'000	2020 HK$'000
Profit/(loss) from operating activities	*6*	**121,724**	(116,243)
Finance costs	*7*	**(29,796)**	(5,852)
Profit/(loss) before taxation		**91,928**	(122,095)
Income tax (expense)/credit	*8*	**(34,370)**	7,785
Profit/(loss) for the year		**57,558**	(114,310)
Profit/(loss) for the year attributable to:			
Owners of the Company		**61,864**	(92,028)
Non-controlling interests		**(4,306)**	(22,282)
		57,558	(114,310)
Earnings/(loss) per share			
Basic (HK cents)	*10*	**1.93**	(2.87)
Diluted (HK cents)	*10*	**1.93**	(2.87)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) for the year	**57,558**	(114,310)
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**1,980**	1,641
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**59,355**	80,825
Other comprehensive income for the year, net of income tax	**61,335**	82,466
Total comprehensive income/(loss) for the year	**118,893**	(31,844)
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**114,557**	(13,906)
Non-controlling interests	**4,336**	(17,938)
	118,893	(31,844)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment		**973,833**	958,281
Right-of-use assets		**49,185**	53,699
Goodwill	*11*	**–**	–
Intangible assets	*12*	**156,051**	452,400
Prepayments for purchase of property, plant and equipment		**42,336**	41,127
Deferred tax assets		**5,938**	7,065
		1,227,343	1,512,572
Current assets			
Inventories		**224,392**	209,264
Completed properties held for sale		**545,379**	–
Properties under development		**–**	2,135,141
Trade receivables	*13*	**6,156**	8,349
Prepayments, deposits paid and other receivables		**130,622**	257,580
Contract costs		**5,830**	34,567
Short-term loan receivables		**58**	63
Cash and cash equivalents		**627,060**	213,434
		1,539,497	2,858,398
Current liabilities			
Trade payables	*14*	**59,786**	56,114
Accruals and other payables		**180,489**	183,551
Contract liabilities		**20,332**	17,718
Amounts due to related parties		**9,153**	8,003
Loans from non-controlling shareholders of subsidiaries		**107,863**	112,157
Bank borrowings – due within one year		**–**	1,747,713
Lease liabilities		**6,777**	6,898
Tax payable		**101,511**	1,419
		485,911	2,133,573
Net current assets		**1,053,586**	724,825
Total assets less current liabilities		**2,280,929**	2,237,397

	2021	2020
	HK$'000	*HK$'000*
Capital and Reserves		
Share capital	**32,076**	32,076
Reserves	**1,777,074**	1,662,517
Equity attributable to owners of the Company	**1,809,150**	1,694,593
Non-controlling interests	**332,452**	373,341
Total equity	**2,141,602**	2,067,934
Non-current liabilities		
Loan from immediate holding company	**4,750**	20,396
Bank borrowings – due after one year	**61,155**	–
Lease liabilities	**37,873**	41,378
Deferred tax liabilities	**29,079**	100,913
Net defined benefits liabilities	**6,470**	6,776
	139,327	169,463
	2,280,929	2,237,397

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 Macro-Link International Land Limited, a company incorporated in Hong Kong, and its ultimate parent is Cheung Shek Investment 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 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 dollar ("**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 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 2021 for the preparation of the consolidated financial statements:

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

The amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosure set out in these 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 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
HKFRS 17	Insurance Contracts and the related Amendments[3]
HKFRS 3 (Amendments)	Reference to the Conceptual Framework[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies[3]
HKAS 8 (Amendments)	Definition of Accounting Estimates[3]
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use[2]
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021.

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

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

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

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of these new and amendments to HKFRSs, which are not yet effective, 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 is as follows:

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised at a point in time:		
Sale of completed properties	**2,489,318**	–
Production and distribution of wine	**112,415**	117,160
Entertainment business	**–**	391
	2,601,733	117,551

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. 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 by reportable segments for the current and prior years:

	Real estate, integrated resort and cultural tourism		Wine		Entertainment business		Total	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT REVENUE								
Revenue from external customers	**2,489,318**	–	**112,415**	117,160	**–**	391	**2,601,733**	117,551
Segment profit/(loss)	**405,600**	(26,034)	**9,365**	(15,343)	**(283,660)**	(64,830)	**131,305**	(106,207)
Unallocated corporate income							**2,040**	1,017
Unallocated corporate expenses							**(11,621)**	(11,053)
Finance costs							**(29,796)**	(5,852)
Profit/(loss) before taxation							**91,928**	(122,095)

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

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 expenses and income 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 2021

	Real estate, integrated resort and cultural tourism	Wine	Entertainment business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	**2,066,662**	**495,242**	**192,411**	**2,754,315**
Unallocated				**12,525**
Consolidated total assets				**2,766,840**
Segment liabilities	**275,936**	**277,855**	**59,172**	**612,963**
Unallocated				**12,275**
Consolidated total liabilities				**625,238**

31 December 2020

	Real estate, integrated resort and cultural tourism	Wine	Entertainment business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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

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 certain financial liabilities which are managed on a group basis.

Geographical information

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

The following is a geographical analysis of the Group's revenue 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 external customers		Non-current assets	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (including Hong Kong)	**112,415**	117,160	**210,030**	212,386
South Korea	**–**	391	**1,005,099**	1,283,198
Australia	**2,489,318**	–	**6,276**	9,923
	2,601,733	117,551	**1,221,405**	1,505,507

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

5. OTHER REVENUE, GAINS AND LOSSES

	2021	2020
	HK$'000	*HK$'000*
Government grants	**13,552**	18,671
Rental income	**1,074**	969
Bank interest income	**688**	2,121
Net gain on disposal of property, plant and equipment	**–**	4,057
Net foreign exchange (loss)/gain	**(4,008)**	2,577
Gain on lease modification	**57**	–
Others	**3,670**	2,217
	15,033	30,612

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) from operating activities has been arrived at after charging/ (crediting):		
Staff costs, including directors' emoluments		
– Salaries and allowances	**50,882**	41,223
– Retirement benefits scheme contributions	**4,217**	3,448
Total staff costs	**55,099**	44,671
Auditor's remuneration		
– audit services	**1,000**	1,200
– non-audit services	**50**	–
Amortisation of intangible assets	**618**	583
Cost of completed properties sold	**1,989,702**	–
Cost of inventories recognised as expenses	**51,479**	73,293
Net gain on disposal of property, plant and equipment	**–**	(4,057)
Depreciation of property, plant and equipment	**16,109**	17,494
Depreciation of right-of-use assets	**7,742**	7,727
Impairment loss on trade receivables, net of reversal	**(388)**	17,514
Impairment loss on short-term loan receivables, net of reversal	**–**	2,069
Research and development costs (included in administrative and other operating expenses)	**1,554**	714

7. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on bank borrowings	**46,359**	89,644
Interest on loan from immediate holding company	**1,485**	2,065
Interest on lease liabilities	**2,874**	3,770
	50,718	95,479
Less: Amounts capitalised in the cost of qualifying assets	**(20,922)**	(89,627)
	29,796	5,852

Borrowing costs capitalised to construction in progress and properties under development at a rate of 2.36% (2020: 5.01%) per annum.

8. INCOME TAX (CREDIT)/EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax	**1,312**	920
Other jurisdictions	**98,640**	3
Under-provision in prior years:		
PRC Enterprise Income Tax	**–**	126
Deferred tax	**(65,582)**	(8,834)
	34,370	(7,785)

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 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 2021 (2020: Nil).

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share are based on the following data:

	2021	2020
	HK$'000	*HK$'000*
Profit/(loss) for the year attributable to owners of the Company for the purposes of basic and diluted earnings/(loss) per share	**61,864**	(92,028)

	Number of shares	
	2021	2020
Weighted average number of shares for the purposes of basic and diluted earnings/(loss) per share	**3,207,591,674**	3,207,591,674

For the year ended 31 December 2021, the computations of diluted earnings per share (2020: diluted loss per share) were on the assumption that the Company's share options granted would not be exercised as the exercise price of these share options was higher than the average market price of the shares.

The diluted earnings/(loss) per share and basic earnings/(loss) per share for the years ended 31 December 2021 and 31 December 2020 were the same as there were no potential dilutive ordinary shares in both years.

11. GOODWILL

	HK$'000
Cost	
As at 1 January 2020	205,649
Exchange realignment	4,444
As at 31 December 2020 and 1 January 2021	210,093
Exchange realignment	(6,369)
As at 31 December 2021	**203,724**
Accumulated impairment losses	
As at 1 January 2020	191,519
Impairment loss recognised in the year	13,850
Exchange realignment	4,724
As at 31 December 2020 and 1 January 2021	210,093
Exchange realignment	(6,369)
As at 31 December 2021	**203,724**
Carrying amount	
As at 31 December 2021	**–**
As at 31 December 2020	–

12. INTANGIBLE ASSETS

	Farmland development *HK$'000*	Entertainment licence *HK$'000*	Technical know-how *HK$'000*	Trademarks *HK$'000*	Total *HK$'000*
Cost					
As at 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
As at 31 December 2020 and 1 January 2021	15,219	470,096	1,811	622	487,748
Exchange realignment	416	(37,581)	53	20	(37,092)
As at 31 December 2021	**15,635**	**432,515**	**1,864**	**642**	**450,656**
Accumulated amortisation and impairment					
As at 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
As at 31 December 2020 and 1 January 2021	11,351	21,564	1,811	622	35,348
Exchange realignment	312	(10,443)	53	20	(10,058)
Charge for the year	618	–	–	–	618
Impairment loss	–	268,697	–	–	268,697
As at 31 December 2021	**12,281**	**279,818**	**1,864**	**642**	**294,605**
Carrying amount					
As at 31 December 2021	**3,354**	**152,697**	**–**	**–**	**156,051**
As at 31 December 2020	3,868	448,532	–	–	452,400

13. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade receivables	**7,547**	10,043
Receivables from entertainment business	**22,081**	24,042
Less: allowance for expected credit losses	**(23,472)**	(25,736)
	6,156	8,349

The Group generally allows an average credit period ranging from 30 to 180 days (2020: 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.

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:

	2021	2020
	HK$'000	*HK$'000*
Within 30 days	**3,731**	5,916
More than 30 days and within 60 days	**47**	1,085
More than 60 days and within 90 days	**327**	303
More than 90 days and within 180 days	**960**	770
More than 180 days and within 360 days	**1,091**	275
At 31 December	**6,156**	8,349

14. TRADE PAYABLES

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

	2021	2020
	HK$'000	*HK$'000*
Within 90 days	**26,718**	35,425
More than 90 days and within 180 days	**576**	8,513
More than 180 days and within 360 days	**9,163**	11,322
More than 360 days	**23,329**	854
	59,786	56,114

The average credit period on purchase of goods is 90 days.

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 2021 (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 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 Year soared by 2,113.3% to approximately HK$2,601.7 million (2020: HK$117.6 million), mainly attributable to the contribution from the recognition of revenue by the delivery of most of the residential apartments of the Opera Residence, the development project of the Group in Sydney, Australia.

Residential apartments of the Opera Residence were delivered to buyers in December 2021. 89 residential apartments out of a total of 104 were delivered and sales revenue amounted to approximately HK$2,489.3 million was recognised during the Year.

The Group's wine business was benefited and driven by China's effective control of the epidemic and China's domestic economic recovery. The revenue from the wine business for the Year fell by only 4.1% to HK$112.4 million (2020: HK$117.2 million).

Our entertainment business is still suffering from the impact of the pandemic as the situation of COVID-19 outbreak in South Korea remains very volatile with the prevention measures continued to maintain in Jeju. As such, no revenue was generated by the entertainment business for the Year (2020: HK$0.4 million).

Gross Profit

Gross profit for the Year soared by 1,772.0% to approximately HK$551.9 million (2020: HK$29.5 million), mainly attributable to the profit generated from the delivery of the Opera Residence of approximately HK$499.6 million.

The gross profit of the wine business increased by 40.3% to approximately HK$52.3 million (2020: HK$37.3 million), as gross profit margin increased by 14.7 percentage points to 46.5% (2020:31.8%) due to the effort of refining revenue portfolio by boosting the sales of its medium to high-end winery products.

Other Revenue

Other revenue decreased by 50.9% to approximately HK$15.0 million during the Year (2020: HK$30.6 million), mainly due to the decrease in government grants by 27.4% to approximately HK$13.6 million (2020: HK$18.7 million) and foreign exchange loss of HK$4.0 million (2020: gain HK$2.6 million).

Selling and Distribution Expenses

Selling and distribution expenses increased by 116.8% to approximately HK$94.7 million during the Year (2020: HK$43.7 million), mainly due to the delivery of most of the residential apartments of the Opera Residence which increased the selling and distribution expenses to approximately HK$53.9 million (2020: HK$1.0 million). Selling and distribution expenses as a percentage of revenue decreased by 33.6 percentage points to 3.6% (2020:37.2%) as revenue increased.

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 only slightly increased by 3.6% to approximately HK$82.1 million during the Year (2020: HK$79.2 million) while the revenue had grown significantly.

Impairment losses of intangible assets

In view of the deteriorated performance of the entertainment business and the unfavorable market conditions, the Group recognised impairment losses on intangible assets of approximately HK$268.7 million during the Year (2020: HK$20.0 million) based on a business valuation prepared by an independent professional valuer.

Profit before Taxation

During the Year, the Group recorded a turnaround of profit before tax of approximately HK$91.9 million (2020: loss of HK$122.1 million).

Taxation

Taxation during the Year mainly comprised current income tax expenses of approximately HK$100.0 million (2020: HK$1.0 million) and deferred tax credit of approximately HK$65.6 million (2020: HK$8.8 million) recognised for the impairment loss of intangible assets and the allowance of expected credit losses.

Profit Attributable to Owners of the Company

Taking into consideration the abovementioned factors, profit after tax for the Year was approximately HK$57.6 million (2020: loss of HK$114.3 million). Profit attributable to owners of the Company was approximately HK$61.9 million (2020: loss of HK$92.0 million). Basic earnings per share attributable to owners of the Company for the Year was HK1.93 cents (2020: loss of HK2.87 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were mainly generated from cashflows from its operating activities, advances from immediate holding company as well as loan facilities provided by financial institutions. As at 31 December 2021, the Group recorded an increase in cash and cash equivalents by 193.8% to approximately HK$627.1 million (2020: HK$213.4 million).

As at 31 December 2021, total borrowings (excluding lease liabilities) decreased by 90.8% to approximately HK$173.8 million (2020: HK$1,880.3 million) as loans for real estate development in Australia had been repaid. 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.

Capital Expenditure

During the Year, our total capital expenditure amounted to approximately HK$366.1 million (2020: HK$412.7 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate project. For year 2022, we have budgeted approximately HK$18.5 million for capital expenditure mainly on Glorious Hill Project in Jeju, South Korea, and construction of winery factories.

Inventories

Our inventories primarily consist of finished goods, work in progress and raw materials. As at 31 December 2021, the Group's inventories increased by 7.2% to approximately HK$224.4 million (2020: HK$209.3 million). Finished goods decreased by 40.8% to approximately HK$17.5 million (2020: HK$29.5 million) and finished goods turnover ratio of the wine business (being average closing finished goods divided by cost of sales) improved to 138 days for the Year (2020: 204 days) mainly due to destocking of wine inventories.

Balance Sheet Analysis

As at 31 December 2021, total assets of the Group decreased by 36.7% to approximately HK$2,766.8 million (2020: HK$4,371.0 million). Total assets were composed of current assets of approximately HK$1,539.5 million (2020: HK$2,858.4 million) and non-current assets of approximately HK$1,227.3 million (2020: HK$1,512.6 million). The decrease in total assets was primarily due to the delivery of the residential apartments of the Opera Residence.

As at 31 December 2021, total liabilities, which included current liabilities of approximately HK$485.9 million (2020: HK$2,133.6 million) and non-current liabilities of approximately HK$139.3 million (2020: HK$169.4 million), decreased by 72.9% to approximately HK$625.2 million (2020: HK$2,303.0 million) mainly because all bank borrowing for the real estate project in Australia had been repaid.

As at 31 December 2021, our total equity was composed of owners' equity of approximately HK$1,809.2 million (2020: HK$1,694.6 million) and non-controlling interests of approximately HK$332.5 million (2020: HK$373.3 million).

The Group's current ratio as at 31 December 2021 improved to 3.2 (2020: 1.3) as a result of the increase in cash from operation. Gearing ratio, representing total borrowings (excluding lease liabilities) divided by total equity, decreased to 8.1% (2020: 90.9%) as a results of repayment of most of the loans.

Trade receivables turnover ratio (being average trade receivables divided by revenue) for the Year decreased to 1 day (2020: 47 days) as the revenue increased.

MAJOR SUPPLIERS AND CUSTOMERS

During the Year, the Group's five largest suppliers accounted for 91.9% (2020: 26.7%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 48.1% (2020: 10.7%). The Group's five largest customers accounted for 21.0% (2020: 14.8%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 5.6% (2020: 3.9%).

None of the Directors, their close associates (within the meaning of the Rules (the "Listing Rules") Governing the Listing of Securities 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$13.6 million (2020: HK$18.7 million) from the respective local government for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2020: Nil).

PLEDGE OF ASSETS

At 31 December 2021, the Group pledged its land use rights, property, plant and equipment with net book value amounted to approximately HK$23.5 million (2020: HK$23.7 million) to secure general bank facilities granted.

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 2021 and 31 December 2020.

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 2021, 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 2021, the Group employed a total of 365 (2020: 381) 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 proceedings of NSR Toronto Holdings Ltd. ("NSR Toronto")

(i) NSR Toronto Holdings Ltd., an indirect 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 Defendants"), which were all then non-wholly owned subsidiaries and/or affiliates of NSR Toronto, CIM Mackenzie Creek Limited Partnership, CIM Homes Inc., 10184861 Canada Inc. and Mr. Jiubin Feng (collectively, the "CIM Defendants", together with the Project 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 Defendants; and (b) an order striking out the Counterclaim on the grounds that the Counterclaim was commenced without the authority of the Project 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 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 a reply and defence to the Amended Counterclaim.

As at the date of this announcement, relevant discoveries have not yet been scheduled. NSR Toronto, with the advice from the Canadian legal council, has determined for various strategic reasons not to advance this claim at current time.

(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 direct parent of NSR Toronto (and wholly owned subsidiary of the Company) and the Company, (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 CAD 5 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"). The court granted the service-related relief on June 15, 2021, but items (a) and (d) remain outstanding (see below).

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 Clam under the Rules of Civil Procedure (the "NSR Defendants II's motion"). The motion was heard on June 25, 2021 and granted on August 30, 2021, with costs in favour of the NSR Defendants II fixed at CAD70,000. The Plaintiffs have appealed this decision to the Court of Appeal; the appeal is to be heard on May 12, 2022.

On 15 June 2021, also in respect of the Plaintiffs' 11 February 2021 motion, the Ontario Court made orders to the effect that service on the NSR Defendants I was validated.

On March 7, 2022 the Ontario Superior Court heard the balance of the Plaintiffs' 11 February 2021 motion (ie, as to the issuance of a CPL and regarding the payment into court of the alleged CAD 5 million consulting fee). The court also heard the cross motion by the NSR Defendants I to challenge the Ontario courts' jurisdiction over them. The court reserved its decision on all matters. It is expected that the court will issue its decision within two months.

(iii) On 9 June 2021 (Toronto time), NSR Toronto filed a statement of claim in the Ontario Court to claim against Global King Inc ("Global King") for compensatory damages of CAD7.2 million as well as punitive and exemplary damages of CAD0.1 million damages for Global King's interference in the disposition of Mackenzie Creek Project in 2019. Global King Inc responded with a statement of defence on 29 July 2021. The parties are preparing affidavits of documents and are discussing a Discovery Plan, which is expected to be agreed by legal counsel for both the Plaintiff and the Defendants.

NSR Toronto will press the parties for completion of a Discovery Plan, failing which we may need to bring a motion to have the court set the dates of trials. The Discovery Plan would enable our Company to schedule examinations for discovery for dates of trials in April or May in 2022, depending on the availability of the parties.

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

BUSINESS REVIEW

In 2021, although the COVID-19 epidemic continued to run rampant, the global economy began to recover gradually from the huge impact of the COVID-19 epidemic. Under the strong leadership of the Chinese central government, China not only took the lead in controlling the spread of the epidemic, but also took the lead in realizing economic recovery, and maintained its economic growth momentum in the past year, achieving the dual goals of higher growth and lower inflation with the good economic development momentum.

The Group's wine business was benefited and driven by China's effective control of the epidemic and China's domestic economic recovery. The revenue from the wine business for the Year fell by only 4% to HK$112.4 million (2020: HK$117.2 million). However, due to the new product replenishing sales model last year, the gross profit of the wine business for the Year increased sharply this year, achieving a net profit of about HK$9.4 million. In keeping with what Shangri-La Wine re-branded last year, it adjusted its business strategy in a timely manner to activate the post-epidemic retaliatory high-end consumption with a clean-up model. The wine business is expected to remain a major part of the Group's total revenue, for which we will strive to promote revenue generation and review the feasibility of restructuring the existing business structure to be ready to respond to market changes.

Among the two businesses of the Group in Jeju, South Korea, the development project of Glorious Hills has not been able to start construction due to project financing obstacles, and the entertainment business has been suspended throughout the Year in order to cooperate with the local government's epidemic prevention work. As it is expected that the global epidemic is likely to continue in the coming year, the Group will respond prudently and will adjust the business strategy of the Group's Korean business at an appropriate time.

The Sydney Opera Residences Project, was substantially completed with the delivery of most of the residential apartments on schedule in December 2021. The relevant revenue of approximately HK$2,489.3 million and the relevant gross profit of HK$499.6 million have been recognized in the financial results for the Year. After the repayment of about HK$1.7 billion of the Australian project development loan, there are more than HK$620 million equivalent of cash and more than HK$540 million equivalent of sustainable real estate and commercial properties in the Group. It is expected that this part of the value will continue to boost a better 2022 performance in greater income and return on investment.

As the successful delivery of the project in Australia laid the foundation for the Group to turn losses into profits during the Year, the overall revenue of the Group for the Year increased sharply by 2,113.3% to HK$2,601.7 million (2020: HK$117.6 million), and a profit of HK$57.6 million (2020: loss of HK$114.3 million) was recorded. Profit attributable to shareholders of the Company was HK$61.9 million (2020: loss of HK$92.0 million). Basic profit per share was HK1.93 cent (2020: loss of HK2.87 cent). As at 31 December 2021, the Group had total assets and net assets valued at HK$2,766.8 million and HK$2,141.6 million respectively.

Looking forward to 2022, despite the huge pressure brought by the rebound of the COVID-19 epidemic and changes in the domestic and foreign economic environment, China’s strong ability to prevent and control the epidemic, strong economic resilience, sufficient potential, and long-term positive fundamentals have not changed, and the economy will continue to grow steadily. It is believed that the Group’s wine business will continue to flourish. In addition, in both domestic and foreign market, fixed asset investment will still be the “ballast stone” for the smooth operation of the economy, especially when governments of various countries need to boost the local economy and accelerate the return of excessive monetary liquidity issued during the epidemic. Stable asset investment, being the mainstay of GDP, will still be favored by consumers, and it is expected that overseas real estate and cultural-tourism will return to normal operations.

The Group will continue to take innovative ideas as its advantages, rely on financial stability, take diversified development as its orientation, and give back to the society as its belief. It will open up new opportunities in the changing situation, maintain high-quality development, and continue to provide customers with better products and services and outstanding achievements to create higher value for the development of cultural-tourism and the urban-planning. In 2022, the Group will go all out, concentrate its efforts, take on new responsibilities, take on new responsibilities and missions with a core management team with advanced layout and forge ahead, and continue to write a brilliant chapter in the new year.

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 deviation from code provision A.2.1 which is 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. 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.

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 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 the 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 CCTH CPA LIMITED ("CCTH")

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021, 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, CCTH 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 CCTH on the preliminary announcement.

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

Hong Kong, 30 March 2022

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.