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 2018

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 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018 HK$'000**	2017 HK$'000 (Restated) *(Note 2)*
Revenue	*3*	**460,763**	295,487
Cost of revenue		**(191,798)**	(198,336)
Gross profit		**268,965**	97,151
Other revenue		**25,504**	29,337
Selling and distribution expenses		**(79,441)**	(66,020)
Administrative and other operating expenses		**(151,323)**	(142,340)
Share-based payment expenses		**–**	(1,468)
Profit/(loss) from operating activities	*5*	**63,705**	(83,340)
Finance costs	*6*	**(2,881)**	(2,885)

	Notes	**2018**	2017
		HK$'000	HK$'000
			(Restated)
			(Note 2)
Profit/(loss) before taxation		**60,824**	(86,225)
Taxation	*7*	**(5,441)**	(3,087)
Profit/(loss) for the year		**55,383**	(89,312)
Attributable to:			
Owners of the Company		**64,413**	(70,986)
Non-controlling interests		**(9,030)**	(18,326)
		55,383	(89,312)
Earnings/(loss) per share attributable to owners of the Company			
– Basic and diluted	*9*	**HK1.76 cents**	HK(2.23) cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018	2017
	HK$'000	HK$'000
Profit/(loss) for the year	**55,383**	(89,312)
Other comprehensive income/(loss), net of income tax		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit plans	**786**	(141)
Change in fair value of financial asset at fair value through other comprehensive income	**(1,192)**	–
Item that may be reclassified to profit or loss:		
Exchange differences arising from translation of foreign operations	**(106,852)**	146,547
Total comprehensive (loss)/income for the year	**(51,875)**	57,094
Attributable to:		
Owners of the Company	**(7,957)**	42,699
Non-controlling interests	**(43,918)**	14,395
	(51,875)	57,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
ASSETS			
Non-current assets			
Land use rights		**30,491**	31,552
Property, plant and equipment		**975,688**	1,021,766
Intangible assets	*10*	**1,398,694**	489,288
Interest in an associate		**–**	–
Available-for-sale investment		**–**	1,719
Financial asset at fair value through other comprehensive income		**4,211**	–
Contract costs	*14*	**45,106**	–
Contingent consideration receivable		**10,374**	–
Goodwill	*11*	**75,221**	75,221
Deferred tax assets		**2,172**	1,462
		2,541,957	1,621,008
Current assets			
Inventories		**264,885**	253,599
Stock of properties	*12*	**1,900,707**	1,735,767
Trade and bills receivables	*13*	**70,220**	4,926
Prepayments, deposits paid and other receivables	*14*	**312,876**	300,840
Short-term loans receivables		**2,593**	2,927
Cash and cash equivalents		**247,168**	334,206
		2,798,449	2,632,265
Total assets		**5,340,406**	4,253,273
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**42,936**	32,076
Reserves		**2,661,306**	1,906,555
		2,704,242	1,938,631
Non-controlling interests		**628,010**	671,481
Total equity		**3,332,252**	2,610,112

	Notes	**2018**	2017
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**308,356**	169,831
Loan from an immediate holding company		**717,222**	721,011
Loan from a non-controlling shareholder of a subsidiary		**104,376**	114,053
Net defined benefits liabilities		**6,911**	7,266
Bank and other borrowings – due after one year		**144,690**	162,062
		1,281,555	1,174,223
Current liabilities			
Trade payables	*15*	**69,192**	57,268
Accruals and other payables	*16*	**109,931**	333,159
Contract liabilities		**219,716**	–
Amounts due to related parties		**50,642**	18,918
Loan from an immediate holding company		**66,401**	56,561
Bank and other borrowings – due within one year		**204,876**	–
Deferred revenue		**1,372**	346
Tax payables		**4,469**	2,686
		726,599	468,938
Total liabilities		**2,008,154**	1,643,161
Total equity and liabilities		**5,340,406**	4,253,273
Net current assets		**2,071,850**	2,163,327
Total assets less current liabilities		**4,613,807**	3,784,335

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as the disclosure requirements of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period.

2. APPLICATION OF NEW AND AMENDED HKFRSs

(i) New and amended HKFRSs adopted by the Group

In the current year, the Group has applied the following new and amended HKFRSs issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except for HKFRS 9 and HKFRS 15, the adoption of the above new and amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosure set out in these consolidated financial statements.

The above new HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Consolidated statement of financial position (extract)	**At 31 December 2017 (originally stated)**	**HKFRS 9**	**HKFRS 15**	**At 1 January 2018 (as restated)**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Available-for-sale ("**AFS**") investment	1,719	(1,719)	–	–
Financial asset at fair value through other comprehensive income ("**FVTOCI**")	–	5,491	–	5,491
Contract costs	–	–	43,429	43,429
Current assets				
Prepayments, deposits paid and other receivables	300,840	–	(43,429)	257,411
Current liabilities				
Accruals, deposits received and other payables	333,159	–	(220,471)	112,688
Contract liabilities	–	–	220,471	220,471
Equity				
Reserves	1,906,555	2,508	–	1,909,063
Non-controlling interests	671,481	1,264	–	672,745

HKFRS 15 Revenue from Contracts with Customers

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods or services may transfer over time or at a point in time.

The Group recognises revenue from the (i) loan facilitation services; (ii) casino business; and (iii) production and distribution of wine and Chinese baijiu.

There is no material difference on the timing and amounts of revenue (other than the revenue from casino business as described below) recognised under HKFRS 15 and HKAS 18.

For pre-sales of properties which are not yet transferred to customers, the Group concluded that it does not have an enforceable right to payment prior to transfer of the relevant properties to customers. Revenue from sales of properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that the customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. Thus, the adoption of HKFRS 15 did not have an impact on the timing of revenue recognition. Proceeds from customers of these pre-sale properties which previously presented as receipt in advance from customers included in "deposits received", are recorded as "contract liabilities" before relevant sale revenue is recognised.

For revenue from casino business, upon adoption of HKFRS 15, the portion of gaming promoters' commissions previously recorded as cost of revenue is now recorded as a reduction of casino revenue. The amounts were reclassified to conform with current year's presentation.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated financial statements for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017:

	Year ended 31 December 2017 (originally stated)	**Adjustments**	**Year ended 31 December 2017 (as restated)**
	HK$'000	HK$'000	HK$'000
Revenue	325,858	(30,371)	295,487
Cost of revenue	(228,707)	30,371	(198,336)

Impact on the consolidated statement of financial position at 1 January 2018:

	At 31 December 2017 (originally stated)	Reclassification	At 1 January 2018 (as restated)
	HK$'000	HK$'000	HK$'000
Current assets			
Prepayments, deposits paid and other receivables (note i)	300,840	(43,429)	257,411
Contract costs (note i)	–	43,429	43,429
Current liabilities			
Accruals, deposits received and other payables (note ii)	333,159	(220,471)	112,688
Contract liabilities (note ii)	–	220,471	220,471

Notes:

(i) As at 1 January 2018, prepayment of commission paid to sales agent for pre-sales of properties of approximately HK$43,429,000 previously included in prepayments, deposits paid and other receivables was reclassified to contract costs.

(ii) As at 1 January 2018, deposits received in advance from customers for pre-sales of properties of approximately HK$220,471,000 previously included in accruals, deposits received and other payables was reclassified to contract liabilities.

HKFRS 9 Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

Under HKFRS 9, a new impairment model for financial assets carried at amortised cost requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

(a) Classification and measurement

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	AFS investment HK$'000	Financial assets at FVTOCI HK$'000	FVTOCI revaluation reserve HK$'000	Non-controlling interests HK$'000
Closing balance at 31 December 2017 – HKAS 39	1,719	–	–	671,481
Reclassification				
From AFS investment (note)	(1,719)	1,719	–	–
Remeasurement				
From cost to fair value (note)	–	3,772	2,508	1,264
Opening balance at 1 January 2018	–	5,491	2,508	672,745

Note:

The Group elected to present in other comprehensive income for the fair value changes of all its unquoted equity investment previously measured at cost less impairment under HKAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, the fair value gain of approximately HK$3,772,000 relating to this unquoted equity investment previously carried at cost less impairment was adjusted to financial asset at FVTOCI and FVTOCI revaluation reserve as at 1 January 2018, and is continued to accumulate in the FVTOCI revaluation reserve.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at the date of initial application have not been impacted by the initial application of HKFRS 9.

(b) Impairment under expected credit loss ("ECL") model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade and bills receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

ECL for other financial assets at amortised cost, including other receivables, short-term loan receivables and bank balances, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

The Directors considered that the measurement of ECL has no material impact to the Group's accumulated losses at 1 January 2018.

(ii) New and amended HKFRSs have been issued but are not yet effective for the financial year beginning on 1 January 2018

The Group has not early applied the following new and amended HKFRSs that have been issued but are not yet effective for the current accounting period:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatment[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2020

4 Effective for annual periods beginning on or after 1 January 2021

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

HKFRS 16 Leases

HKFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to account for certain leases outside the consolidated statement of financial position. Instead, all long-term leases must be recognised in the consolidated statement of financial position in the form of assets (for the rights of use) and lease liabilities (for the payment obligations). Short-term leases with a lease term of twelve months or less and leases of low-value assets are exempt from such reporting obligations.

The new standard will therefore result in recognition of a right-to-use asset and an increase in lease liabilities in the consolidated statement of financial position. In the consolidated income statement, rental expenses will be replaced with depreciation and interest expenses.

The new standard is not expected to be applied by the Group until the financial year ending 31 December 2019. HKFRS 16 will primarily affect the accounting for the Group's operating lease commitments which will be recognised in the consolidated statement of financial position as lease liabilities and right-of-use assets. The lease liabilities would subsequently be measured at amortised cost and the right-of-use assets will be depreciated on a straight-line basis during the lease term.

Total operating lease commitments of the Group as at 31 December 2018 amounted to approximately HK$78,985,000, of which approximately HK$60,784,000 with lease term over 12 months. The Directors do not expect the adoption of HKFRS 16 would result in significant impact on the Group's financial performance, but it is expected that certain portion of these lease commitments will be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

3. REVENUE

	2018 **HK$'000**	2017 HK$'000 (Restated)
Revenue recognised at a point in time		
Loan facilitation services	**153,087**	–
Casino business	**103,621**	92,594
Production and distribution of wine	**124,231**	124,666
Production and distribution of Chinese baijiu	**79,824**	78,227
	460,763	295,487

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 five reportable segments, namely (i) provision of loan facilitation services through operation of an internet P2P financing platform; (ii) casino business; (iii) development and operation of real estate, integrated resort and cultural tourism; (iv) production and distribution of wine; and (v) production and distribution of Chinese baijiu. 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:

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000 (Restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (Restated)
Segment revenue												
Revenue from external customers	**153,087**	–	**103,621**	92,594	**–**	–	**124,231**	124,666	**79,824**	78,227	**460,763**	295,487
Segment profit/(loss)	**105,950**	–	**(4,777)**	(26,855)	**(15,378)**	(27,561)	**3,372**	(1,004)	**(5,555)**	(6,196)	**83,612**	(61,616)
Unallocated corporate income											**2,983**	4,403
Unallocated corporate expenses											**(22,890)**	(26,127)
Finance costs											**(2,881)**	(2,885)
Profit/(loss) before taxation											**60,824**	(86,225)
Taxation											**(5,441)**	(3,087)
Profit/(loss) for the year											**55,383**	(89,312)

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 profit earned (loss incurred) by each segment without allocation of central administration costs including directors' emoluments, finance costs and taxation. 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 for the current and prior years:

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	**1,075,956**	–	**592,589**	609,993	**2,956,218**	2,931,635	**428,184**	446,966	**220,540**	217,303	**5,273,487**	4,205,897
Unallocated											**66,919**	47,376
											5,340,406	4,253,273
Segment liabilities	**83,584**	–	**37,928**	39,487	**259,734**	988,864	**153,211**	139,695	**93,258**	78,985	**627,715**	1,247,031
Unallocated											**1,380,439**	396,130
											2,008,154	1,643,161

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. Goodwill and all liabilities are allocated to reportable segments except for bank and other borrowings, deferred tax liabilities and other financial liabilities which are managed on a group basis.

Other segment information

Amounts included in the measure of segment profit or loss or segment assets.

	Loan facilitation services		Casino business		Real estate, integrated resort and cultural tourism		Wine		Chinese baijiu		Unallocated		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Additions to non-current assets	**543**	–	**1,215**	5,309	**8,697**	2,031	**3,696**	31,337	**3,690**	4,128	**951**	–	**18,792**	42,805
Depreciation of property, plant and equipment	**1,271**	–	**4,311**	5,263	**2,222**	1,026	**11,699**	12,735	**9,104**	7,208	**423**	393	**29,030**	26,625
Amortisation of land use rights	**–**	–	**–**	–	**–**	–	**372**	212	**625**	608	**–**	–	**997**	820
Amortisation of intangible assets	**–**	–	**–**	–	**–**	–	**618**	662	**–**	–	**–**	–	**618**	662
Recovery of impairment loss in respect of trade receivables and short-term loan receivables	**–**	–	**–**	–	**–**	–	**–**	116	**–**	–	**–**	–	**–**	116
Impairment loss of trade receivables	**1,230**	–	**1,383**	–	**–**	–	**498**	–	**177**	–	**–**	–	**3,288**	–
Impairment loss of other receivables	**1,814**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,814**	–
Impairment loss of short-term loans receivables	**–**	–	**324**	–	**–**	–	**–**	–	**–**	–	**–**	–	**324**	–

Geographical information

The Group's operations are located in the People's Republic of China (the "**PRC**") (including Hong Kong), South Korea, Australia and Canada.

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**	
	2018	2017	**2018**	2017
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000
The PRC (including Hong Kong)	**357,142**	202,893	**1,309,446**	337,498
South Korea	**103,621**	92,594	**1,230,215**	1,280,417
Australia	**–**	–	**2,296**	3,093
Canada	**–**	–	**–**	–
	460,763	295,487	**2,541,957**	1,621,008

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

	2018	2017
	HK$'000	HK$'000
Profit/(loss) from operating activities has been arrived at after charging:		
Staff costs, including directors' emoluments		
– Salaries and allowances	**110,212**	94,795
– Retirement benefits scheme contributions	**13,936**	13,354
Total staff costs	**124,148**	108,149
Auditors' remuneration	**2,503**	2,105
Amortisation of intangible assets	**618**	662
Amortisation of land use rights	**997**	820
Cost of inventories recognised as expenses	**87,860**	96,626
Loss on disposal of property, plant and equipment	**208**	1,397
Depreciation of property, plant and equipment	**29,030**	26,625
Research and development costs	**6,214**	1,095
Minimum lease payments under operating leases	**13,207**	10,160
Share-based payments to other participants	**–**	1,468

6. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on bank borrowings	**15,414**	8,556
Interest expenses on loan from immediate holding companies	**30,313**	40,281
	45,727	48,837
Less: Amounts capitalised in the cost of qualifying assets	**(42,846)**	(45,952)
	2,881	2,885

Borrowing costs capitalised to properties under development at rate of 2.25% (2017: 4.36%) per annum.

7. TAXATION

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Corporate Income Tax		
– current year	**4,954**	2,365
– under-provision in prior year	**983**	1,796
Other than Hong Kong and the PRC	**818**	–
Deferred tax	**(1,314)**	(1,074)
	5,441	3,087

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which had introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was passed on 20 February 2019.

Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the year ended 31 December 2018.

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.

As at 31 December 2018, the Group had estimated unused tax losses of approximately HK$63,387,000 (2017: HK$63,387,000) available for offset against future profits. No deferred tax asset in respect of tax loss has been recognised due to the unpredictability of future profit streams.

PRC Enterprise Income Tax ("EIT")

Shenzhen Niiwoo Financial Information Services Ltd. ("**Niiwoo Financial**") is qualified as "New High-Tech Enterprise" under the EIT law for 3 years starting from 31 October 2017 (the "**Qualifying Day**"). Accordingly, Niiwoo Financial is entitled to a preferential EIT rate of 15% for a three-year period since the Qualifying Day.

The tax rate applicable for all other subsidiaries established in the PRC was 25% (2017: 25%).

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.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 (2017: Nil).

9. EARNINGS/(LOSS) PER SHARE

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

	2018	2017
	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 ordinary share	**64,413**	(70,986)

	Number of shares	
	2018	2017
Weighted average number of shares for the purposes of basic and diluted earnings/(loss) per ordinary share	**3,661,086,179**	3,184,932,078

For the years ended 31 December 2018 and 2017, the computations of diluted earnings/(loss) per share assume that the Company's share options would not be exercised as the exercise prices of these options were higher than the average market price of the Company's shares.

10. INTANGIBLE ASSETS

	Internet P2P financing platform HK$'000	Casino license HK$'000	Farmland development HK$'000	Technical know-how HK$'000	Trademarks HK$'000	Total HK$'000
Cost						
At 1 January 2017	–	423,812	14,325	1,700	23,834	463,671
Exchange alignment	–	58,812	999	128	1,799	61,738
At 31 December 2017 and 1 January 2018	–	482,624	15,324	1,828	25,633	525,409
Acquisition of a subsidiary	941,132	–	–	–	–	941,132
Exchange alignment	(9,476)	(20,439)	(725)	(93)	(1,306)	(32,039)
At 31 December 2018	931,656	462,185	14,599	1,735	24,327	1,434,502
Accumulated amortisation and impairment						
At 1 January 2017	–	–	7,486	1,700	23,834	33,020
Exchange alignment	–	–	512	128	1,799	2,439
Charge for the year	–	–	662	–	–	662
At 31 December 2017 and 1 January 2018	–	–	8,660	1,828	25,633	36,121
Exchange alignment	–	–	(408)	(93)	(1,306)	(1,807)
Charge for the year	–	–	618	–	–	618
Impairment	–	–	876	–	–	876
At 31 December 2018	–	–	9,746	1,735	24,327	35,808
Carrying amounts						
At 31 December 2018	**931,656**	**462,185**	**4,853**	**–**	**–**	**1,398,694**
At 31 December 2017	–	482,624	6,664	–	–	489,288

11. GOODWILL

	HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	253,180
Accumulated impairment losses	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	177,959
Carrying amounts	
At 31 December 2018	**75,221**
At 31 December 2017	75,221

Goodwill is allocated to the Group's cash generating units identified according to business as follows:

	2018	2017
	HK$'000	HK$'000
Casino business	**75,221**	75,221

12. STOCK OF PROPERTIES

	2018	2017
	HK$'000	HK$'000
Properties under development	**1,900,707**	1,735,767

Properties under development represented the project cost, land acquisition cost, finance cost and other preliminary infrastructure costs in relation to the Group's property development projects situated in Australia and Canada. As at 31 December 2018, the Group's freehold lands in Canada and Australia as included in the above properties under development were pledged as securities for the Group's borrowings.

13. TRADE AND BILLS RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade and bills receivables	**73,660**	5,084
Less: Allowance for doubtful debts of trade receivables	**(3,440)**	(158)
	70,220	4,926

The Group generally allows an average credit period ranging from 30 to 90 days (2017: 30 to 90 days) to its trade customers. For receivables from gaming customers, a credit period is generally six months.

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 ECL/doubtful debts, is as follows:

	2018 HK$'000	2017 HK$'000
Within 30 days	**48,089**	4,762
More than 30 days and within 60 days	**371**	98
More than 60 days and within 90 days	**430**	66
More than 90 days and within 180 days	**519**	–
More than 180 days and within 360 days	**20,811**	–
At 31 December	**70,220**	4,926
Represented by:		
Receivables from trade customers	**49,448**	354
Receivables from gaming customers	**20,772**	4,572
	70,220	4,926

All trade and bills receivables were denominated in Renminbi ("**RMB**") and Won ("**KRW**").

14. PREPAYMENTS, DEPOSITS PAID AND OTHER RECEIVABLES/CONTRACT COSTS

	2018 HK$'000	2017 HK$'000
Prepayments (notes (i), (ii) and (iii))	**107,406**	140,282
Deposits paid (note (iv))	**89,250**	78,781
Other receivables (note (v))	**127,091**	91,319
	323,747	310,382
Less: Allowance for doubtful debts of other receivables	**(10,871)**	(9,542)
	312,876	300,840
Represented by:		
Amounts due from related parties	**73,019**	99,444
Amounts due from third parties	**239,857**	201,396
	312,876	300,840
Contract costs (note (vi))	**45,106**	–

Notes:

Included in the Group's "Prepayments, deposits paid and other receivables" under current assets as at 31 December 2018 and 2017 were as follows:

(i) Upon the adoption of HKFRS 15, commission paid to sales agent for the pre-sale properties amounted to HK$43,429,000 which previously included in prepayments was reclassified as contract costs at 1 January 2018 (note 2).

(ii) Prepayment made to a non-controlling shareholder of a subsidiary amounted to approximately HK$35,710,000 (2017: HK$37,622,000) and local residents amounted to approximately HK$7,725,000 (2017: HK$8,139,000) for the purpose of acquisition of land in Jeju, South Korea.

(iii) Prepayment made to Melco Gaming Assets Management (Korea) Limited ("**Melco Korea**") amounted to approximately HK$38,428,000 (2017: HK$38,428,000) for the provision of technical services by Melco Korea to the Group's casino operation in South Korea. The prepayment was made by allotment and issuance of the Company's shares which was non-cash in nature, details of which were set out in the announcements of the Company dated 10 May 2016 and 11 May 2016 respectively.

(iv) Deposits paid of approximately HK$75,991,000 (2017: HK$65,272,000) was guaranteed deposits denominated in Australian dollar(s) ("**AUD**") for construction of the property placed in designated accounts in accordance with relevant government requirements.

(v) Other receivables of approximately HK$35,560,000 (2017: HK$61,366,000) was amount due from the associate, CIM Global Development Inc.. The amount was unsecured, interest free and repayable on demand.

(vi) Contract costs capitalised as at 31 December 2018 related to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction and not expected to be completed within next 12 months at the reporting date. Contract costs are recognised as costs of revenue in the consolidated statement of profit or loss in the period in which revenue from the related property sales is recognised. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

15. 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:

	2018 HK$'000	2017 HK$'000
Within 90 days	**31,091**	42,921
More than 90 days and within 180 days	**5,288**	3,005
More than 180 days and within 360 days	**32,813**	11,342
	69,192	57,268

Trade payables are non-interest-bearing and are repayable within credit periods.

16. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accruals	**38,143**	48,875
Deposits received (note)	**–**	220,471
Other payables	**71,788**	63,813
	109,931	333,159

Note: Deposits received represents an advance payment made by customers for sales of goods and pre-sales of properties. As a result of the adoption of HKFRS 15, deposits received are included in contract liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL INFORMATION

The Group has adopted the new revenue recognition accounting standard HKFRS 15 (the "**Standard**") with effective from 1 January 2018. Upon the adoption of the Standard, commissions paid to gaming promoters are recorded as a reduction to gaming revenue. Accordingly, the prior year amounts of gaming revenue and cost have been restated.

Revenue

During the year ended 31 December 2018 (the "**Year**"), the Group has revenue generated from the casino business in South Korea, sales and distribution of wine and Chinese baijiu, and the newly acquired internet P2P financing platform business in the PRC (i.e. Niiwoo Financial). After the recognition of contribution from the internet P2P financing platform business of approximately HK$153.1 million, the Group's revenue increased significantly by 55.9% to approximately HK$460.8 million (restated in 2017: HK$295.5 million) during the Year.

As a result of the improving Sino-Korea relationship and the opening of a new tourist complex, the numbers of visitors to Jeju had reached a record high. With effective promotion campaigns implemented, our casino saw the growth of the VIP gaming market. Gaming revenue, which represented approximately 22.5% (restated in 2017: 31.3%) of the Group's revenue, grew by 11.9% to approximately HK$103.6 million (restated in 2017: HK$92.6 million).

The revenue from both wine and Chinese baijiu segments remained quite stable. The wine business, which accounted for approximately 27.0% (restated in 2017: 42.2%) of the Group's revenue, showed a slight decrease of 0.3% to approximately HK$124.2 million (2017: HK$124.7 million). The Chinese baijiu business, which accounted for approximately 17.3% (restated in 2017:26.5%) of the Group's revenue, increased slightly by 2.0% to approximately HK$79.8 million (2017: HK$78.2 million).

Gross Profit

The Group's gross profit grew more than double to approximately HK$269.0 million (2017: HK$97.2 million) and the gross profit margin surged to approximately 58.4% (restated in 2017: 32.9%). The significant increase was mainly attributable to the contribution from the newly acquired internet P2P financing platform business.

Gross profit of the casino business increased significantly by 78.5% to approximately HK$22.9 million (2017: HK$12.8 million) with gross profit margin growing by 8.3 points to 22.1% (restated in 2017: 13.8%). Such increases were mainly driven by the growth of VIP gaming operation managed by our house team which has a higher gross profit margin than that of the agent team.

With effective manufacturing costs control, the gross profits on wine and Chinese baijiu operations were improved. The gross profits of wine and Chinese baijiu segments increased by 5.3% to approximately HK$54.1 million (2017: HK$51.4 million) and by 19.7% to approximately HK$39.4 million (2017: HK$32.9 million) respectively. Meanwhile, the gross profit margin of wine and Chinese baijiu segments also improved by 2.4 points to 43.6% (2017: 41.2%) and by 7.3 points to 49.4% (2017: 42.1%) respectively.

Other Revenue

Other revenue decreased by 13.1% to approximately HK$25.5 million (2017: HK$29.3 million) mainly due to reduction of government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by 20.3% to approximately HK$79.4 million (2017: HK$66.0 million). Such increase was mainly due to consolidation of Niiwoo Financial's expenses of similar nature and the increase in promotional efforts on the winery business. Selling and distribution expenses as a percentage of revenue decreased by 5.1 points to 17.2% (restated in 2017: 22.3%).

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consisted of management staff salaries, office rental, professional fees and casino business's operating expenses. During the Year, administrative and other operating expenses increased by 6.3% to approximately HK$151.3 million (2017: HK$142.3 million) due to consolidation of Niiwoo Financial's administrative expenses.

Profit before Tax

During the Year, the Group recorded a turnaround of profit before tax of approximately HK$60.8 million (2017: loss of HK$86.2 million).

Taxation

Taxation increased significantly by 76.3% to approximately HK$5.4 million (2017: HK$3.1 million) which was in line with the revenue growth.

Profit Attributable to Owners

Taking into consideration the abovementioned factors, profit after tax for the Year was approximately HK$55.4 million (2017: loss of HK$89.3 million). Profit attributable to owners of the Company was approximately HK$64.4 million (2017: loss of HK$71.0 million). Basic earnings per share attributable to owners of the Company was HK1.76 cents (2017: loss of HK2.23 cents).

LIQUIDITY AND FINANCIAL RESOURCES

Cash and Borrowings

The Group's sources of fund were generated from operating activities, advances from immediate holding companies as well as loan facilities provided by financial institutions. During the Year, the Group recorded a decline in cash and cash equivalents by 26.0% to approximately HK$247.2 million (2017: HK$334.2 million) mainly due to capital expenditure for development of real estate projects.

As at 31 December 2018, total borrowings increased by 17.5% to approximately HK$1,237.6 million (2017: HK$1,053.7 million) mainly due to new loans of approximately HK$198.8 million drawn for property development.

Our major borrowings are denominated in RMB, Canadian dollar(s) ("**CAD**") 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$182.2 million (2017: HK$344.2 million) which was mainly used for the purchase of machineries, construction of winery factories and development of the real estate projects. For year 2019, we have budgeted HK$943.0 million for capital expenditure mainly on the development of the Mackenzie Creek Project in Canada, 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. The Group's inventories increased by 4.5% to approximately HK$264.9 million (2017: HK$253.6 million). Finished goods also increased by 21.3% to approximately HK$84.7 million (2017: HK$69.8 million) and finished goods turnover ratio (being average closing finished goods divided by cost of sales) was 252 days for the Year (2017: 182 days).

Balance Sheet Analysis

As at 31 December 2018, total assets of the Group increased by 25.6% to approximately HK$5,340.4 million (2017: HK$4,253.3 million) which were composed of current assets of approximately HK$2,798.4 million (2017:HK$2,632.3 million) and non-current assets of approximately HK$2,542.0 million (2017: HK$1,621.0 million). The increase in total assets was mainly due to recognition of the newly acquired internet P2P financing platform business at fair value.

Total liabilities, which included current liabilities of approximately HK$726.6 million (2017: HK$469.0 million) and non-current liabilities of approximately HK$1,281.6 million (2017: HK$1,174.2 million), increased by 22.2% to approximately HK$2,008.2 million (2017: HK$1,643.2 million). Such increase was mainly due to new property development loans obtained during the Year.

As at 31 December 2018, our total equity was composed of owners' equity of approximately HK$2,704.2 million (2017: HK$1,938.6 million) and non-controlling interests of approximately HK$628.0 million (2017: HK$671.5 million).

The Group's current ratio as at 31 December 2018 lowered to 3.9 (2017: 5.6) as current liabilities increased. Gearing ratio, representing total borrowings divided by total equity, was 37.1% (2017: 40.4%). About 63.3% of borrowings are from the immediate holding company, the borrowings of which are unsecured and repayable within a 5-year period.

Trade receivables turnover (being average trade receivables divided by revenue) for the Year was 30 days (2017: 9 days). The Group did not experience any material doubtful debts that were required to be written off in the Year.

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest suppliers accounted for 19.7% (2017: 26.0%) of the Group's total purchases and the purchases attributable to the Group's largest supplier was 5.5% (2017: 6.9%). Excluding Yunnan Jinliufu Trading Limited which is a connected person of the Company within the meaning of the Listing Rules, the Group's five largest customers accounted for 14.1% (2017: 6.0%) of the Group's total revenue and the revenue attributable to the Group's largest customer was 10.1% (2017: 1.6%).

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

GOVERNMENT SUBSIDIES

During the Year, the Group has been granted an aggregate amount of approximately HK$8.8 million (2017: HK$14.2 million) from the respective local finance department for subsidising the Group's technical development.

DIVIDEND

The Board does not recommend the payment of any dividend for the Year (2017: Nil).

PLEDGE OF ASSETS

At 31 December 2018, the Group pledged its land, property, plant and equipment with net book value amounted to approximately HK$28.7 million (2017: HK$28.8 million) to secure general bank facilities granted. In addition, the Group pledged several parcels of lands located in Markham, Ontario, Canada and Sydney, Australia in favour of the financial institutions which in aggregate amounted to approximately HK$1,900.7 million (2017: HK$1,735.8 million) to obtain loans for property development.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group had provided guarantees in an aggregate amount of approximately HK$204.2 million (2017: HK$221.4 million) to a financial institution in Canada in favour of its non-wholly owned subsidiary in respect of a mortgage loan for the re-financing and pre-construction of the property situated in Markham, Ontario, Canada.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenue, expenses, assets and liabilities are denominated in HK$, RMB, KRW, 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, Canada and Australia are in KRW, CAD and AUD respectively. As the impact of the foreign exchange fluctuation is low and no material exchange rate risk is anticipated, no financial instruments for hedging purposes are engaged. To enhance overall risk management, the Group will investigate into its treasury management function 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

In October 2017, the Company announced the proposed acquisition of the controlling right and the entire economic benefits of Niiwoo Financial via a set of variable interest entity contracts at a consideration of HK$1,411.8 million to be satisfied by the allotment and issuance of 1,086,000,000 new shares of the Company at an issue price of HK$1.30 per share.

The acquisition was completed on 1 August 2018 and Niiwoo Financial has become the wholly-owned subsidiary of the Company. Details of the transaction were set out in the circular and the announcement of the Company dated 29 June 2018 and 1 August 2018 respectively.

Save as disclosed above, there was no material acquisition or disposal of subsidiary, associated company or joint venture by the Group during the Year.

EMPLOYEE INFORMATION AND EMOLUMENT POLICY

As at 31 December 2018, the Group employed a total of 1,148 (2017: 1,059) 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 regulation.

LITIGATION

MegaLuck Co., Ltd. ("**MegaLuck**") has been summoned by Jeju District Court due to an indictment brought by Jeju District Prosecutor Office for outsourcing management of slot machines related to a slot machine leasing agreement signed on 10 March 2013 with Global Game Co., Ltd. ("**Global Game**"), allegedly in violation of the Tourism Promotion Act in Korea (the "**First Case**"). Global Game also filed a civil lawsuit against MegaLuck in 2016 claiming for damages up to KRW3,000 million (equivalent to about HK$20 million) (the "**Second Case**"). The Company has engaged its Korean legal representatives to contest both cases.

The court hearing for the First Case has been commenced but delayed in several occasions as the prosecutors' witnesses had failed to attend. As at the date of this announcement, the First Case is still pending.

The judgement of the Second Case had ruled that MegaLuck shall pay a damage of approximately KRW89 million (equivalent to about HK$630,000) to Global Game. However, Global Game has filed an appeal against the judgement with the Jeju District Court to request MegaLuck to pay a damage of approximately KRW727 million (equivalent to about HK$5.2 million). The Second Case is still pending for adjudication as at the date of this announcement.

USE OF PROCEEDS FROM THE OPEN OFFER

In January 2017, the Company completed the open offer on the basis of two offer shares for every five shares of the Company held and raised net proceeds of approximately HK$1,446.0 million (the "**Proceeds**").

As stated in the prospectus of the Company dated 14 December 2016, the Company intended to use the Proceeds (i) as to about HK$576.5 million to repay the indebtedness of the Group due to Macro-Link International Land Limited ("**MIL**") and its concert parties; (ii) as to HK$84.0 million to repay other indebtedness of the Group; (iii) as to HK$100.0 million for development of the Group's casino business in Seoul, Jeju and Macau; (iv) as to HK$430.0 million for acquisition of land bank reserve; (v) as to HK$200.0 million for preliminary land development of the Glorious Hill project; and (vi) as to the remaining HK$55.5 million for general working capital of the Group.

As announced by the Company dated 31 May 2017 and 29 September 2017, the use of Proceeds was re-allocated to cater for investments in the Mackenzie Creek project and the Opera Residence project.

Approximately HK$1,325.1 million from the Proceeds was utilised in 2017, of which (i) approximately HK$595.1 million was used for repayment of the indebtedness due to MIL and its concert parties; (ii) approximately HK$184.0 million was used for payment of the subscription of 51 units in each of CIM Development (Markham) LP and CIM Commercial LP in relation to the Mackenzie Creek project in Markham, Ontario, Canada; and (iii) approximately HK$546.0 million was used for payment of the subscription of 104 redeemable preference shares of Macrolink Australia Investment Limited and the provision of a loan in relation to the Opera Residence project in Sydney, Australia.

As at 1 January 2018, the balance of unutilised Proceeds was approximately HK$120.9 million. During the Year, the Group has further utilised approximately HK$37.0 million for the general working capital purpose and the remaining balance of approximately HK$83.9 million for repayment of other indebtedness of the Group. As at the date of this announcement, the Proceeds have been fully utilised.

FINANCIAL REVIEW

Although the economic environment in 2018 was complicated and challenging, with the foresight to pursue breakthroughs via active business transformation since 2015, the Group achieved a sharp profit turnaround. For the Year, the Group's revenue grew by a notable 55.9% to HK$460.8 million year-on-year, and profit attributable to shareholders of the Company reached HK$64.4 million (2017: loss of HK$71.0 million). Basic earnings per share was HK1.76 cents (2017: loss of HK2.23 cents). As at 31 December 2018, the Group had total assets valued at HK$5,340.4 million and net assets at HK$3,332.3 million.

ECONOMIC OVERVIEW

In 2018, the global economy was ridden with uncertainties. The US Federal Reserve raised interest rate four times undermining stable global economic growth, and the European economy was overshadowed by issues such as the Brexit proposal still hanging in the balance and the huge Italian government debt. These factors resulted in gradual global economic slowdown, which peaked in some major economies. Bearing on us most was the Sino-US trade dispute which was a growing concern to the market at large. Last but not least, China's de-leveraging policies aiming to prevent credit risks and squeeze liquidity made it more and more difficult to secure approval for overseas investment and financing. Affected by the aforementioned, financing costs climbed rocket high and GDP growth of the country kept sliding quarter by quarter and ended in an annual GDP growth of only 6.6%.

OUTSTANDING ACHIEVEMENTS OF THE GROUP

During the Year, the Group pushed on with implementing its "Cultural Tourism + Real Estate + Fintech" business development strategy, stepping up related efforts. The Group acquired Niiwoo Financial, which marked its foray into the huge Fintech market in China, an important milestone in business diversification for the Group.

On 13 November 2018, the Company was made constituent of the MSCI Hong Kong Micro Cap Index. As the MSCI indexes are highly influential and worthy of reference to capital markets worldwide, being included as a constituent is testament of the capital market recognition for the Group's positioning and development strategy.

BUSINESS REVIEW

Niiwoo Financial

On 1 August 2018, the Group completed the acquisition of Niiwoo Financial, a subsidiary of Paison Technology Group Ltd., by the issuance of 1,086,000,000 shares at an issue price of HK$1.3 per share.

During the Year, financial authorities in China tightened market control, introducing new policies that pinpoint online financing with the objective to reduce credit default risk. As a result, non-compliant online financing companies were ousted. On the bright side, those policies will see the entire online financing market better regulated and operating more effectively in time.

The financial regulatory authority in Shenzhen has issued an assessment and approval plan for online financing operations. Niiwoo Financial, having completed filing of rectifications according to relevant laws and regulations in China, is preparing to seek verification by the Shenzhen Municipal Financial Services Office. Niiwoo Financial is a leading online loan financing platform in China. Once the new policies have been fully implemented, Niiwoo Financial will be operating in a healthier market and see its online financing business thrive, and in turn present the Group with long term growth impetus.

Gaming Business in Jeju – MegaLuck

The Group's gaming business "MegaLuck Casino" in Jeju, South Korea has benefited from the improving Sino-Korea relationship. The launch of new major tourism sites has also drawn more visitors to Jeju, as reflected in the continuous rise in tourist arrivals in particular by the end of 2018. At the same time, through active marketing and efforts to raise service standard to enhance customers' gaming and overall travel experience, MegaLuck has effectively pushed up patronage as well as its gaming gains. During the Year, the Group's gaming revenue has increased by 11.9% year-on-year to approximately HK$103.6 million. In terms of gaming revenue, MegaLuck was ranked among the top casinos in Jeju.

Resort Business in Jeju -Glorious Hill

The Group is pleased to have received the formal development approval from the Governor of Jeju Province in March 2019 to kick off phase one development of its large integrated resort project, Glorious Hill. The project will feature five-star hotels, commercial and residential real estates, boutique shopping centre, theme park, golf course and academy, and so forth, and is expected to bring impressive tourism and property revenues to the Group. With land property of the Glorious Hill site changed, the embedded value of the Group's asset in Korea shall increase accordingly.

Real Estate – Opera Residence and Mackenzie Creek Projects

The Group's landmark project Opera Residence at Circular Quay, deemed the world's most beautiful harbour in Sydney, Australia, is progressing smoothly and on schedule. The 20-storey project, standing on an approximately 1,207 square metres site, will have a total gross floor area of approximately 26,308 square metres. Sales of the project have been encouraging, repeatedly setting apartment price records in Australia. To date, 95% of the residential units and all the commercial spaces of the project were sold, generating total contract sales of AUD553.9 million (equivalent to approximately HK$3,049.7 million). Sales revenue from the project is expected to be booked after delivery in 2021.

The Mackenzie Creek Project in Canada has two phases, with the first phase comprising 195 townhouses and the second phase of no less than 500 residential condominiums and a commercial shopping centre. Given a weak real estate market sentiment in Canada, sales of phase one have not been progressing as well as expected. The Group will seek to reach consensus with its partner and timely adjust its sales strategy to rally sales for the project.

Wine and Chinese Baijiu Operations

It remains difficult for our wine and Chinese baijiu operations at Shangri-la Winery and Yuquan Winery. Although the divisions showed a slight improvement in revenue of 0.6% to HK$204.1 million (2017: HK$202.9 million), they have been operating at losses for a few years. Having considered the difficulties faced by the businesses and the continual losses for successive years, the Group is looking into various scenario to rectify the situation including but not limited to modification or a possible disposal such that resources can be channelled to be used in other more profitable business in optimising returns to shareholders.

OUTLOOK

2018 marked an important turning point – profitability returning – for the Group, thanks to the effective adjustments of our strategic development. Given the uncertain market in the imminent future, with risks from potential downward revision of economic forecasts and difficulty in obtaining financing possibly becoming a new economic norm, the Group will pay special caution in every step of its operation. Nonetheless, to cope with the economic challenges, the Group will be more prudent and pragmatic in fine-tuning its investment mix. We will also actively explore suitable investment opportunities that can reap lucrative returns. At the same time, the Group will work hard to enhance our financial strengths for countering market fluctuation. In the future, we will also continue to explore innovative business opportunities with promising strong growth potential to give new growth vigour to the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold 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 provisions A.6.7 and E.1.2 which are explained as follows:

Code provision A.6.7 provides that independent non-executive directors and non-executive directors should attend general meetings. Mr. Cao Kuangyu, being an independent non-executive Director, was unable to attend the annual general meeting of the Company held on 4 June 2018 (the "**2018 AGM**") and the special general meeting of the Company held on 30 July 2018 due to his overseas business engagement.

Code provision E.1.2 provides that the chairmen of the Board and board committees should attend the annual general meeting to be available to answer questions. Mr. Su Bo, who is the chairman of the Board and Nomination Committee, was unable to attend the 2018 AGM due to his overseas business engagement. However, Mr. Ng Kwong Chue, Paul, being the executive Director and company secretary of the Company, took the chair at the 2018 AGM, and the chairman of both the Audit Committee and Remuneration Committee, and the auditors attended the 2018 AGM. The Company considers that their presence is sufficient for effective communication with shareholders at the 2018 AGM.

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 standards 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.

By Order of the Board
New Silkroad Culturaltainment Limited
Ng Kwong Chue, Paul
Executive Director

Hong Kong, 26 March 2019

As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Su Bo, Mr. Ng Kwong Chue, Paul, 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.