SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Directors") of ShiFang Holding Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 together with the comparative figures for the corresponding period in 2017.

The condensed consolidated interim financial information has not been audited or reviewed by the Company's auditors, but has been reviewed by the Company's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

	Note	**30 June 2018** *RMB'000* **Unaudited**	31 December 2017 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*4*	**29,249**	14,707
Intangible assets	*5*	**286,980**	532
Financial assets at fair value through profit or loss	*6*	**76,394**	–
Available-for-sale financial asset		**–**	84,726
Prepayments, deposits and other receivables	*7*	**46,465**	105,826
		439,088	205,791
Current assets			
Inventories		**955**	1,224
Properties held for sale		**34,519**	34,519
Contract assets		**1,836**	–
Trade receivables – net	*8*	**7,554**	6,068
Prepayments, deposits and other receivables	*7*	**6,845**	3,803
Amounts due from related parties		**1,014**	740
Cash and cash equivalents		**46,797**	60,178
		99,520	106,532
Total assets		**538,608**	312,323
EQUITY			
Equity attributable to owners of the Company			
Share capital		**191,994**	123,919
Share premium		**851,682**	816,907
Other reserves		**55,316**	48,904
Accumulated deficits		**(818,795)**	(750,092)
		280,197	239,638
Non-controlling interests		**8,879**	7,969
Total equity		**289,076**	247,607

	Note	30 June 2018 RMB'000 Unaudited	31 December 2017 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Promissory notes		**74,512**	–
Deferred income tax liabilities		**52,415**	120
		126,927	120
Current liabilities			
Trade payables	*9*	**4,615**	4,513
Other payables and accrued expenses		**39,058**	30,464
Loans from a related party		**50,164**	–
Bank borrowings	*10*	**7,995**	9,113
Current income tax liabilities		**20,464**	20,031
Amounts due to related parties		**309**	475
		122,605	64,596
Total liabilities		**249,532**	64,716
Total equity and liabilities		**538,608**	312,323

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**21,700**	20,443
Cost of sales	*12*	**(14,526)**	(15,611)
Gross profit		**7,174**	4,832
Selling and marketing expenses	*12*	**(1,588)**	(2,109)
General and administrative expenses	*12*	**(50,032)**	(30,796)
Other income	*11*	**277**	6
Other loss	*11*	**(14,277)**	–
Operating loss		**(58,446)**	(28,067)
Finance income	*13*	**68**	271
Finance costs	*13*	**(1,443)**	(5,049)
Finance costs – net	*13*	**(1,375)**	(4,778)
Loss before income tax		**(59,821)**	(32,845)
Income tax expenses	*14*	**(677)**	(47)
Loss for the period		**(60,498)**	(32,892)

	Note	Six months ended 30 June	
		2018	2017
		RMB'000	*RMB'000*
		Unaudited	Unaudited
(Loss)/profit attributable to:			
– Owners of the Company		**(61,408)**	(32,993)
– Non-controlling interests		**910**	101
		(60,498)	(32,892)
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Currency translation differences		**(651)**	708
Other comprehensive (loss)/income for the period		**(651)**	708
Total comprehensive loss for the period		**(61,149)**	(32,184)
Total comprehensive loss attributable to:			
– Owners of the Company		**(62,059)**	(32,285)
– Non-controlling interests		**910**	101
		(61,149)	(32,184)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*15*	**(0.0329)**	(0.0228)
– Diluted (RMB per share)	*15*	**(0.0329)**	(0.0228)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the business of publishing and advertising (the "Publishing and Advertising Businesses") in the People's Republic of China (the "PRC"). The Group has been focusing on restructuring its Publishing and Advertising Businesses by consolidating with cultural and film media businesses in the PRC.

The Company was incorporated in the Cayman Islands on 9 December 2009 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

This condensed consolidated interim financial information for the six months ended 30 June 2018 is unaudited but has been reviewed by the Audit Committee of the Company. This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board on 28 August 2018.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

During the six months ended 30 June 2018, the Group reported a net loss of RMB60,498,000 and had a net cash outflow from operating activities of RMB37,124,000. As at 30 June 2018, the Group had net current liabilities of RMB23,085,000. Notwithstanding the above, the condensed consolidated interim financial information is prepared on a going concern basis.

The Board of Directors of the Company has reviewed the Group's cash flow projections prepared by management. The projections cover a period of twelve months from the 30 June 2018. The projections make key assumptions with regards to the anticipated cash flows from the Group's operations and availability of future borrowing facilities, taking into account the availability of existing borrowing facilities. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. The Group's ability to achieve the projected cash flows depends on the management's ability to successfully implement initiatives to improve the Group's cash flows, including measures to control capital expenditure and corporate overhead, investments in new businesses and the availability of the borrowing facilities. As at 30 June 2018, the Group has undrawn bank borrowing facilities of approximately RMB100,000,000 and undrawn borrowing facilities from a related party of approximately RMB34,146,000.

The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

1.3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements except for those disclosed in Note 1.4 and the followings:

(a) The following new standards, amendments to standards and interpretations are effective for the financial year ending 31 December 2018 and the Group had changed its accounting policies and made retrospective adjustments as a result of adopting the following standards:

- IFRS 9, "Financial Instruments"

- IFRS 15, "Revenue from Contracts with Customers"

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 1.4 below. The other amendments to standards and interpretation did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

(b) ***Business combinations***

The Group applies acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the interim condensed consolidated statement of comprehensive income.

Intra-group transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) New standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2018 and have not been early adopted by the Group

IFRS 16, "Leases"	1 January 2019
IFRIC 23, "Uncertainly over Income Tax Treatment"	1 January 2019
Amendments to IAS 19, "Plan Amendment, Curtailment or Settlement"	1 January 2019
Amendments to IAS 28, "Long-term Interests in Associates and Joint Ventures"	1 January 2019
Amendments to IFRS 9, "Prepayment Features with Negative Compensation"	1 January 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle	1 January 2019
IFRS 17, "Insurance Contracts"	1 January 2021
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	Note

Note: To be announced by International Accounting Standards Board

The directors of the Company will adopt the new standards, amendments to standards and interpretations when they become effective. The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and interpretations, none of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group, except the following set out below:

Impact of IFRS 16, "Leases"

IFRS 16 will result in almost all leases being recognised in the interim condensed consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB10,770,000. Based on management's preliminary assessment, upon the adoption of IFRS 16, the impact is likely to be the present value of the operating lease commitments being shown as a liability on the interim condensed consolidated balance sheet together with an asset representing the right to use.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

IFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

1.4 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9, "Financial Instruments" and IFRS 15, "Revenue from Contracts with Customers" on the Group's condensed consolidated interim financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods. Certain of the Group's accounting policies have been changed to comply with the adoption of IFRS 9 and IFRS 15.

(a) Impact on the financial information

As explained in Note 1.4(b) below, IFRS 9 was generally adopted by the Group without restating comparative information. IFRS 15 was adopted using the modified retrospective method. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening interim condensed consolidated balance sheet on 1 January 2018.

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. The adjustments are explained in more detail by standard below.

Interim condensed consolidated balance sheet (extract)	**Audited 31 December 2017**	**IFRS 15**	**IFRS 9**	**Restated 1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Financial assets at fair value through profit or loss	–	–	84,726	84,726
Available-for-sale financial asset	84,726	–	(84,726)	–
Current assets				
Contract assets	–	1,000	(26)	974
Trade receivables – net	6,068	(1,000)	(206)	4,862
Equity attributable to owners of the Company				
Available-for-sale financial asset fair value reserve	(7,063)	–	7,063	–
Accumulated deficits	(750,092)	–	(7,295)	(757,387)

(b) *IFRS 9, "Financial Instruments" – Impact of adoption*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. The new accounting policies are set out in Note 1.4(c) below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The total impact on the Group's accumulated deficits as at 1 January 2018 is as follows:

	Notes	**2018** *RMB'000*
Closing accumulated deficits 31 December 2017		(750,092)
Reclassify investments from available-for-sale financial assets to financial assets at fair value through profit or loss ("FVTPL")	*(i)*	(7,063)
Increase in impairment provision for impairment of trade receivables and contract assets	*(ii)*	(232)
Adjustment to accumulated deficits from adoption of IFRS 9 on 1 January 2018		(7,295)
Opening accumulated deficits 1 January 2018		(757,387)

(i) *Classification and measurement*

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Notes	**Financial assets at FVTPL** *RMB'000*	**Available-for-sale financial assets** *RMB'000*
Closing balance 31 December 2017 – IAS 39		–	84,726
Reclassify available-for-sale financial assets to financial assets at FVTPL	*(a)*	84,726	(84,726)
Opening balance 1 January 2018 – IFRS 9		84,726	–

The impact of these changes on the group's equity is as follows:

	Notes	Effect on available-for-sale financial asset fair value reserve *RMB'000*	Effect on accumulated deficits *RMB'000*
Closing balance 31 December 2017 – IAS 39		(7,063)	(750,092)
Reclassify investments from available-for-sale financial assets to financial assets at FVTPL	*(a)*	7,063	(7,063)
Opening balance 1 January 2018 – IFRS 9		–	(757,155)

(a) Reclassification from available-for-sale financial assets to financial assets at FVTPL

An investment in 55% of the income right of a movie was reclassified from available-for-sale financial assets to financial assets at FVTPL (RMB84,726,000 as at 1 January 2018). It does not meet the IFRS 9 criteria for classification at amortised cost or at fair value through other comprehensive income, because its cash flow does not represent solely payments of principal and interest.

Related fair value loss of RMB7,063,000 was transferred from the available-for-sale financial assets fair value reserve to accumulated deficits on 1 January 2018. During the six months to 30 June 2018, net fair value loss of RMB14,277,000 relating to this investment was recognised in profit or loss.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provision based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The Group has three types of financial assets that are subject to IFRS 9's new expected credit loss model:

- Trade receivables
- Contract assets
- Financial assets at amortised cost, including deposits and other receivables, and amounts due from related parties

The Group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's accumulated deficits and equity is disclosed above.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled revenue and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The Group applies the simplified approach to measure ECL that uses a lifetime ECL for all trade receivables and contract assets.

The provision for impairment of trade receivables and contract assets as at 31 December 2017 reconcile to the opening provision for impairment on 1 January 2018 as follows:

	Contract assets	Trade receivables
	RMB'000	*RMB'000*
At 31 December 2017 – calculated under IAS 39	–	13,752
Amount restated through opening accumulated deficits	26	206
Opening provision for impairment as at 1 January 2018 – calculated under IFRS 9	26	13,958

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery.

Impairment on other financial assets at amortised cost are measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The Group has concluded that the impact of ECL on the other financial assets is insignificant as at 1 January 2018.

(c) IFRS 9, "Financial Instruments" – Summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of IFRS 9:

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income , except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other losses. Interest income from these financial assets is included in finance income using the effective interest rate method. Net foreign exchange gains and losses are presented in general and administrative expenses and impairment expenses are presented as a separate line item in the statement of comprehensive income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other losses in the period in which it arises.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires ECL to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, the Group measures the impairment as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

(d) IFRS 15, "Revenue from Contracts with Customers" – Impact of adoption

The Group has adopted IFRS 15, "Revenue from Contracts with Customers", from 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated interim financial information. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules using the modified retrospective method to all contracts that are not completed at the date of initial application. As such, comparative for the year ended 31 December 2017 would not be restated but contracts which have remaining obligations as of effective date will enter an adjustment to the opening balance of the accumulated losses as at 1 January 2018.

In summary, the following adjustments were made to the amounts recognised in the interim condensed consolidated balance sheet at the date of initial application (1 January 2018).

		IAS 18 carrying amount	**Reclassification**	**IFRS 15 carrying amount**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables – net	*(i)*	6,068	(1,000)	5,068
Contract assets	*(i)*	–	1,000	1,000

The amounts above are before the adjustments from the adoption of IFRS 9, including increases in the provision for impairment of trade receivables and contract assets (Note 1.4(b)).

(i) Presentation of assets and liabilities related to contracts with customers

The Group has also changed the presentation of certain amounts in the interim condensed consolidated balance sheet to reflect the terminology of IFRS 15:

- Contract assets recognised in relation to the marketing service contracts were previously presented as part of trade receivables – net (amounted to RMB974,000 as at 1 January 2018, net of impairment allowance)

(e) IFRS 15, "Revenue from Contracts with Customers" – Summary of significant accounting policies

The following describes the Group's updated revenue recognition policy to reflect the adoption of IFRS 15:

The Group determined when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied.

(i) Newspaper advertising

The Group renders services for the creation, production and placement of advertising materials through certain newspaper publishers. Revenue from providing the advertising services are recognised at a point in time when the services are rendered.

The Group's role in the provision of services on newspaper advertising is that of a principal. When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction. Hence, revenue from newspaper advertising services is recognised on a gross basis when services are rendered.

(ii) Marketing services

Revenue from marketing services comprised of (i) revenue from provision of marketing planning services and (ii) commission from sale of properties.

Revenue from marketing planning services is recognised over time when the services are rendered. The Group applied output method for measuring progress and revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis.

Commission from sale of properties is recognised at a point in time when the services are rendered and the customer (i.e. property developer) has entered into the sales and purchase agreement with the buyer.

Customers are invoiced based on the payment schedule. If the services rendered by the Company exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(iii) Printing services

Printing revenue is recognised at a point in time when printing services are rendered and the legal title of the newspaper is transferred to the customers.

1.5 Estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2017 except for the following:

(a) Valuation of consideration transferred and net identifiable assets arising from business combination

The Group completed the acquisition of Supreme Glory Limited on 8 May 2018. Management of the Group has engaged an independent valuer to assist in performing the purchase price allocation assessment on the fair values of assets acquired and liabilities assumed as at the acquisition date. Significant management judgements were involved in the valuation methodology and underlying assumptions of the valuation of purchase price allocation, including discount rate used for the determination of fair value of consideration transferred, market rental yield rate and adjusting factors regarding location, size and nature adopted for the determination of fair value of right to a land lease and property, plant and equipment and discount rate used for the determination of fair value of a financial asset at fair value through profit or loss. Had the Group used different inputs or assumptions, the fair value of the consideration transferred, right to a land lease, property, plant and equipment, financial asset at fair value through profit or loss, other identifiable assets acquired and liabilities assumed and the goodwill recognised would be different and thus cause impact to the interim condensed consolidated balance sheet. Details of the business combination are disclosed in Note 16.

2 Segment information

The Executive Directors have been identified as the chief operating decision maker ("CODM"). Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance.

The Executive Directors access the performance of the Group's advertising, marketing, and printing businesses from both geographic and product perspectives. From a product perspective, management takes into consideration of the economic benefits of the abovementioned businesses as a whole when executing a centralised assessment of the performance as the CODM considers they are mutually dependent and inseparable. Geographically, management considers the Group's businesses activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". As such, no segment information is presented.

3 Revenue

Revenue from external customers are derived from the provision of newspaper advertising services to advertisers in the PRC, and the provision of marketing and printing services. An analysis of the revenue by category is as follows:

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising	**2,683**	3,472
Marketing services	**16,618**	14,754
Printing services	**2,399**	2,217
	21,700	20,443
Timing of revenue recognition		
– At a point in time	**19,157**	18,759
– Over time	**2,543**	1,684
	21,700	20,443

4 Property, plant and equipment

	Land and buildings RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 31 December 2017						
Cost	4,681	8,104	32,123	8,770	6,720	60,398
Accumulated depreciation	(234)	(4,636)	(27,912)	(6,158)	(5,021)	(43,961)
Accumulated impairment losses	–	–	(1,730)	–	–	(1,730)
Net carrying amount	4,447	3,468	2,481	2,612	1,699	14,707
Six months ended 30 June 2018						
Opening net carrying amount	4,447	3,468	2,481	2,612	1,699	14,707
Acquisition of subsidiaries *(Note 16)*	16,900	–	–	–	–	16,900
Additions	–	991	–	131	116	1,238
Disposals	–	–	–	(11)	–	(11)
Depreciation *(Note 12)*	(186)	(1,203)	(340)	(206)	(451)	(2,386)
Impairment	–	(1,227)	–	–	–	(1,227)
Currency translation differences	–	(6)	–	33	1	28
Closing net carrying amount	21,161	2,023	2,141	2,559	1,365	29,249
At 30 June 2018						
Cost	21,581	9,135	32,123	8,873	6,842	78,554
Accumulated depreciation	(420)	(5,885)	(28,252)	(6,314)	(5,477)	(46,348)
Accumulated impairment losses	–	(1,227)	(1,730)	–	–	(2,957)
Net carrying amount	21,161	2,023	2,141	2,559	1,365	29,249

5 Intangible assets

	Computer software RMB'000	Non-compete agreement RMB'000	Goodwill RMB'000	Customer relationships RMB'000	Trademark RMB'000	Web site RMB'000	Right to a land lease RMB'000	Township operation right RMB'000	Total RMB'000
At 31 December 2017									
Cost	3,127	11,500	12,573	14,500	9,400	8,476	–	–	59,576
Accumulated amortisation	(2,665)	(11,500)	–	(14,500)	(6,655)	(8,476)	–	–	(43,796)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	52	–	–	–	480	–	–	–	532
Six months ended 30 June 2018									
Opening net carrying amount	52	–	–	–	480	–	–	–	532
Additions	104	–	–	–	–	–	–	28,000	28,104
Acquisition of subsidiaries *(Note 16)*	–	–	66,058	–	–	–	193,439	–	259,497
Amortisation *(Note 12)*	(3)	–	–	–	(239)	–	(793)	(118)	(1,153)
Closing net carrying amount	153	–	66,058	–	241	–	192,646	27,882	286,980
At 30 June 2018									
Cost	3,231	11,500	78,631	14,500	9,400	8,476	193,439	28,000	347,177
Accumulated amortisation	(2,668)	(11,500)	–	(14,500)	(6,894)	(8,476)	(793)	(118)	(44,949)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	153	–	66,058	–	241	–	192,646	27,882	286,980

6 Financial assets at fair value through profit or loss

	As at 30 June 2018 ***RMB'000*** **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Investment in a movie income right *(Note (i))*	**70,449**	–
Investment in a network drama *(Note (ii))*	**5,945**	–
	76,394	–

(i) Investment in a movie income right

On 22 February 2016, the Group entered into a movie investment agreement with Shanghai Hehe Film Investment Co., Ltd. ("Shanghai Hehe"), a movie executive producer in China, pursuant to which the Group has agreed to acquire 55% of the income right of a movie, Ip Man 3, for 30 years. The purchase consideration of HK$131,168,000 (equivalent to RMB110,000,000) was paid on 23 February 2016. Shanghai Hehe guaranteed to the Group that the total income from the income right within 1 year after the first release date will not be less than RMB16,500,000. During the year ended 31 December 2016, Shanghai Hehe acknowledged that the Group could, at minimum, receive RMB128,580,000 from the investment, of which RMB10,000,000 was already settled. The remaining balance was due on 3 January 2017, which was 10 months after the first PRC release date of the movie. Shanghai Hehe has not yet settled the balance up to the date hereof.

The fair value estimate of the investment in movie income right was based on the cash flows discounted using a rate of 25% (31 December 2017: 22%) based on the market interest rate and risk premium specific to the investment. Significant unobservable inputs involved in the fair value measurement included the expected timing of settlement and discount rate, which are within level 3 of the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2018.

During the six months ended 30 June 2018, a fair value loss of RMB14,277,000 relating to this investment was recognised in the interim condensed consolidated statement of comprehensive income (30 June 2017: Nil).

Management has performed sensitivity analysis for the fair value of the financial asset at fair value through profit or loss by adjusting the discount rate and the expected timing of settlement.

Based on the sensitivity analysis, as at 30 June 2018, should the discount rate adopted increase/decrease by 2.5%, the fair value of the investment in a movie income right would be approximately RMB3,215,000 lower/RMB3,363,000 higher than the current carrying amount. Should the timing of settlement delayed by six months over the base case, the fair value of the investment in a movie income right would be approximately RMB2,850,000 lower than the current carrying amount.

(ii) Investment in a network drama

On 8 May 2018, the Group has acquired an investment in a network drama through the acquisition of subsidiaries as disclosed in Note 16. Pursuant to an investment agreement dated 22 May 2017, a wholly-owned subsidiary of Supreme Glory Limited has agreed to acquired 20% of the income right in a network drama for a consideration of RMB6,000,000.

The fair value estimation of the investment was based on the cash flows discounted using a rate based on the market interest rate and risk premium specific to the investment. Significant unobservable inputs involved in the fair value measurement included the expected timing of settlement and discount rate, which are within level 3 of the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended 30 June 2018.

7 Prepayments, deposits and other receivables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	138,000
Prepayment for acquisition of properties *(note (ii))*	**24,465**	24,211
Deposit to a newspaper publisher *(note (iii))*	**30,000**	30,000
Rental deposits	**–**	3,300
Deposit for a proposed acquisition *(note (iv))*	**–**	28,315
Deposit for township development *(note (v))*	**22,000**	22,000
Prepayment for township operation right *(note (v))*	**–**	28,000
	214,465	273,826
Less: provision for impairment	**(168,000)**	(168,000)
Prepayments, deposits and other receivables – net	**46,465**	105,826
Current portion		
Prepayments to a newspaper publisher and others *(note (vi))*	**90,750**	91,386
Deposits and other receivables *(note (vii))*	**19,384**	15,706
	110,134	107,092
Less: provision for impairment	**(103,289)**	(103,289)
Prepayments, deposits and other receivables – net	**6,845**	3,803

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
RMB	**49,982**	77,023
HK$	**3,328**	32,606
	53,310	109,629

Note:

(i) Long term prepayment

As at 30 June 2018 and 31 December 2017, long term prepayment represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, in relation to the potential establishment of a joint venture with the metropolitan newspaper publisher.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire prepayment totalling RMB138,000,000 made to Southeast Express has been provided for in prior years.

(ii) Prepayment for acquisition of properties

As at 30 June 2018 and 31 December 2017, prepayment for acquisition of properties represents the prepayment paid by the Group to Xiamen Information Group Ltd. for the purchase of certain commercial premises located within Xiamen Software Park III. Total consideration for the properties is RMB22,164,000, out of which RMB15,470,000 were financed by mortgage loans on the properties granted by a bank to the Group. Details of the mortgage loans are disclosed in Note 10. During the period, the Group has capitalised borrowing costs amounting to RMB254,000 (30 June 2017: RMB312,000) on the prepayment.

(iii) Deposit to a newspaper publisher

As at 30 June 2018 and 31 December 2017, deposit to a newspaper publisher represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, pursuant to exclusive agreement between the Group and the newspaper publisher.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire deposit of RMB30,000,000 made to Southeast Express has been provided for in prior years.

(iv) Deposit for a proposed acquisition

Pursuant to the acquisition agreement signed on 8 May 2017, the Group conditionally agreed to acquire and the vendors conditionally agreed to sell the entire equity interest in Supreme Glory Limited for a consideration of HK$340,000,000. During the year ended 31 December 2017, the Group paid HK$34,000,000 (equivalent to approximately RMB28,315,000) as a deposit for the acquisition. The deposit was non-interest bearing and refundable if the acquisition was terminated. The deposit has been subsequently utilised upon completion of the acquisition on 8 May 2018 (Note 16).

(v) Deposit for township development and prepayment for township operation right

Pursuant to the framework agreement entered into by the Group with Yongtai Government on 15 September 2017, Yongtai Government agreed to form a long-term strategic cooperation with the Group regarding the development and operation of a township project at Yongtai County, Fuzhou. Under the framework agreement, the Group paid a deposit of RMB50,000,000 to Yongtai Government, which is intended to be utilised for participating in open tender auctions to be organised by the Yongtai Government for land use rights, assets, grant of lease and/or operation rights circulation within the project site.

During the year ended 31 December 2017, the Group entered into an operation right agreement with the Yongtai Government for the acquisition of a 40-years' exclusive operation right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in the operation site at a consideration of RMB28,000,000. The consideration of RMB28,000,000 is deducted from the RMB50,000,000 refundable deposit placed by the Group with Yongtai Government under the framework agreement. The acquisition was approved and ratified by the shareholders at the extraordinary general meeting of the Company on 19 April 2018 and the prepayment of RMB28,000,000 was utilised for the acquisition of the township operation right.

As at 30 June 2018 and 31 December 2017, the remaining amount of RMB22,000,000 remained as a deposit.

(vi) ***Prepayments to a newspaper publisher and others***

Under the terms of an exclusive advertising agreement with a metropolitan newspaper publisher, namely Southeast Express, the Group has to make prepayments for print media advertising to the newspaper publisher. The amount prepaid to the metropolitan newspaper publisher can be utilised as advertising costs in the coming 12 months.

As at 30 June 2018, prepayments of RMB89,103,000 (31 December 2017: RMB89,103,000) were impaired and provided for. Management has assessed the recoverability of the prepayments, including the prepayment made to Southeast Express of RMB83,927,000 that have been provided for in prior years, and considered no further impairment provision is required for the period ended 30 June 2018.

(vii) ***Deposits and other receivables***

Deposits and other receivables primarily include rental and utility deposit, cash paid to contracted business partners as deposits for operation rights and receivables from properties held for sale. The deposits are interest free and are refundable upon the expiry of the agreements or on request under mutual consent.

As at 30 June 2018, deposits and other receivable of RMB14,186,000 (31 December 2017: RMB14,186,000) were impaired and provided for. Management has assessed the recoverability of deposits and other receivables, including those from Southeast Express of RMB4,162,000 that have been fully provided for in prior years, and considered no further impairment provision is required for the period ended 30 June 2018.

8 Trade receivables – net

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Trade receivables	**9,416**	19,820
Less: provision for impairment of trade receivables	**(1,862)**	(13,752)
Trade receivables – net	**7,554**	6,068

The payment terms with customers are mainly cash on delivery and on credit. The credit periods range from 30 days to 365 days after end of the month in which the relevant sales occurred.

The aging analysis of the Group's trade receivables based on invoice date is as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**3,942**	1,133
31 – 60 days	**460**	252
61 – 90 days	**349**	417
91 – 180 days	**769**	1,755
181 – 365 days	**690**	272
Over 1 year	**3,206**	15,991
	9,416	19,820
Less: provision for impairment of trade receivables	**(1,862)**	(13,752)
Trade receivables – net	**7,554**	6,068

The carrying amounts of the Group's trade receivables are denominated in RMB.

As at 30 June 2018, trade receivables of RMB2,119,000 (31 December 2017: RMB2,431,000) were past due but not impaired.

As at 30 June 2018, trade receivables of RMB1,862,000 (31 December 2017: RMB13,752,000) were impaired and provided for. For the six months ended 30 June 2018, the amounts of net reversal of provision credited to the interim condensed consolidated statement of comprehensive income was RMB1,551,000 (30 June 2017: net provision charged to the interim condensed consolidated statement of comprehensive income was RMB715,000).

For the six months ended 30 June 2018, trade receivables of RMB11,983,000 was directly written-off to the interim condensed consolidated statement of comprehensive income (30 June 2017: Nil).

Movements on the Group's provision for impairment of trade receivables are as follows:

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**13,752**	14,045
Changes in accounting policies *(Note 1.4)*	**206**	–
Provision for impairment of trade receivables *(Note 12)*	**–**	715
Reversal of provision for impairment of trade receivables *(Note 12)*	**(1,551)**	–
Receivables written off	**(10,545)**	–
At 30 June	**1,862**	14,760

9 Trade payables

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**4,615**	4,513

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods range from 30 days to 365 days after end of the month in which the relevant purchases occurred.

The aging analysis of the trade payables based on the invoice date is as follows:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
1 – 30 days	**634**	547
31 – 90 days	**201**	598
Over 90 days	**3,780**	3,368
	4,615	4,513

The carrying amounts of the Group's trade payables are all denominated in RMB.

10 Bank borrowings

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Bank borrowings – current	**7,995**	9,113

The maturity of the above borrowings based on scheduled repayment dates set out in the loan agreements and excluding the repayment on demand clause is as follows:

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Within 1 year	**2,229**	2,229
Between 1 and 2 years	**2,230**	2,230
Between 2 and 5 years	**3,536**	4,654
	7,995	9,113

As at 30 June 2018, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time.

The mortgage loans are secured by the ownership rights of the properties and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group.

11 Other income and other loss

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Other income:		
Government grants	**248**	–
Sundry Income	**29**	6
	277	6
Other loss:		
Fair value loss on financial assets at fair value through profit or loss *(Note 6)*	**(14,277)**	–

12 Expenses by nature

Loss before income tax is stated after charging/(crediting) the following:

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper advertising		
– Media costs	**1,359**	2,151
Cost of printing services:		
– Raw material	**1,373**	873
– Other costs	**226**	352
Depreciation *(Note 4)*	**2,386**	2,810
Amortisation *(Note 5)*	**1,153**	245
Auditor's remuneration	**1,666**	708
Operating lease charges in respect of land and building	**6,603**	6,682
Provision for impairment of property, plant and equipment *(Note 4)*	**1,227**	–
Provision for an onerous operating lease	**8,958**	–
Net (reversal of)/provision for impairment of trade receivables *(Note 8)*	**(1,551)**	715
Provision for impairment of contract assets	**23**	–
Write-off of trade receivables	**1,439**	–
Gain on disposals of properties held for sale	**–**	(1,523)
Net foreign exchange loss	**4,537**	5,631
Employee benefit expenses (including directors' emoluments)	**19,620**	21,643
Business tax	**269**	238

13 Finance costs – net

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**68**	271
Total finance income	**68**	271
Finance costs:		
– Interest expense on available-for-sale financial asset	**–**	(5,049)
– Interest expense on promissory notes	**(1,133)**	–
– Interest expense on loans from a related party	**(310)**	–
– Interest expense on bank borrowings	**(254)**	(312)
Less: amounts capitalised on qualifying assets *(Note 7(ii))*	**254**	312
	(1,443)	(5,049)
Finance costs – net	**(1,375)**	(4,778)

14 Income tax expenses

	Six months ended 30 June 2018	Six months ended 30 June 2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**(953)**	(107)
Deferred income tax	**276**	60
	(677)	(47)

15 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2018 and 2017 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue, including bonus element, during the period.

	Six months ended 30 June 2018 Unaudited	Six months ended 30 June 2017 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(61,408)**	(32,993)
Weighted average number of shares in issue, including bonus element *(thousands)*	**1,867,711**	1,448,330
Basic loss per share *(RMB per share)*	**(0.0329)**	(0.0228)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding, including bonus element, to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2018 and 2017, the Company had no potential dilutive ordinary shares outstanding.

16 Business combination

On 8 May 2017, the Company entered into an acquisition agreement with the vendors of Supreme Glory Limited, pursuant to which the Group has conditionally agreed to acquire the entire equity interest in Supreme Glory Limited at a consideration of HK$340,000,000 (equivalent to approximately RMB275,794,000) to be satisfied by the followings:

(i) cash consideration of HK$102,500,000 (equivalent to approximately RMB83,144,000), including refundable deposit of HK$34,000,000 (equivalent to approximately RMB27,579,000) and remaining cash consideration of HK$68,500,000 (equivalent to approximately RMB55,565,000) payable upon completion;

(ii) promissory notes in principal amount of HK$100,000,000 (equivalent to approximately RMB81,160,000) issued by the Company upon completion, which carry interest at 5.5% per annum and is repayable on the third anniversary of the date of issue; and

(iii) The issue of 550,000,000 ordinary shares of the Company upon completion.

On 8 May 2018, all the conditions precedent under the acquisition agreement were fulfilled and the entire equity interest of Supreme Glory Limited was transferred to the Company. The acquisition was completed on the same day, when the Group acquired the control over Supreme Glory Limited as the Group has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect its variable returns.

Goodwill of approximately RMB66,058,000 arose from the acquisition as the purchase consideration included amounts in relation to the benefit of management expertise of Supreme Glory Limited, eight signed cooperative agreements and one cooperative agreement which is in negotiation process, which cannot be recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill recognised is expected to be deductible for income tax purpose.

The following table summarises the consideration paid and the fair value of the assets acquired and liabilities assumed recognised at the acquisition date:

	HK$'000	*RMB'000*
	Unaudited	Unaudited
As at 8 May 2018		
Consideration:		
– Cash deposit	34,000	27,579
– Remaining cash consideration	68,500	55,565
– Fair value of the promissory notes	87,034	70,598
– Fair value of the consideration shares	85,800	69,597
Fair value of consideration as at 8 May 2018		223,339
Recognised amounts of identifiable assets acquired and liabilities assumed:		
– Property, plant and equipment		16,900
– Right to a land lease		193,439
– Financial assets at fair value through profit or loss		5,945
– Cash and cash equivalent		14
– Prepayments		84
– Accruals and other payables		(11)
– Amount due to a related party		(6,519)
– Deferred income tax liabilities		(52,571)
Total identifiable net assets		157,281
Goodwill		66,058

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Cash consideration:		
– Cash deposit	**–**	29,509
– Remaining cash consideration	**55,565**	–
Cash and cash equivalent in subsidiaries acquired	**(14)**	–
Net outflow of cash and cash equivalents included in cash flows from investing activities	**55,551**	29,509

For the acquired businesses, management engaged an independent valuer in assisting the valuation of the identifiable assets and liabilities as at the acquisition date.

No revenue has been contributed to the consolidated statement of comprehensive income by Supreme Glory Limited since 8 May 2018 up to 30 June 2018.

Had Supreme Glory Limited been consolidated from 1 January 2018, the condensed consolidated statement of comprehensive income for the six months ended 30 June 2018 would show pro-forma loss for the period of RMB1,423,000.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Chinese economy maintained steady growth in the first half of 2018. China's gross domestic product (GDP) exceeded RMB41.9 trillion, representing a year-on-year increase of 6.8%. The economy increased 6.8% in the first quarter and 6.7% in the second quarter. The primary, secondary and tertiary industries all experienced continuous growth, but the growth of the tertiary industry has outperformed the other two. In the second half of 2018, the downsizing of balance sheets by central banks around the world and the imposing of tariffs and other measures by US government against China are expected to pose more uncertainties to the growth of the Chinese economy.

Along with the rapid development of emerging media technology and electronic information technology, Chinese advertising market expanded steadily in the first half of 2018, and recorded higher growth than the same period of last year. Statistics from CVSC – TNS Research (CTR) showed that in the first half of 2018, Chinese overall advertising spending increased 9.3% year on year, in contrast to the 4.3% growth for the entire 2017 and the 0.4% growth for the first half of 2017. On a segmental breakdown of advertising spending during the first half of 2018, TV and radio increased by 9.4% and 10.0%, while newspaper, magazine and outdoor advertising decreased by 30.6%, 7.8% and 11.3%, respectively. With the advanced network and multimedia technologies, new media advertising achieved rapid growth and increased market share of advertising spending, particularly from key advertising customers in the food and beverages, pharmaceutical products, telecommunication, commercial and service industries.

China's film industry also achieved solid development. The statistics from China Film Bureau as at 30 June, 2018 showed that China's box office reached RMB32 billion in the first half, representing a year-on-year increase of 17.82%. Chinese films contributed over RMB19 billion or 59.21% share of China's total box office during the first half of 2018, with 5 Chinese films achieving the RMB1 billion box office threshold and 14 others achieving the RMB100 million threshold.

In 2018, Chinese government announced its plan to restructure the State Intellectual Property Office to strengthen intellectual property protection and enforcement, which is expected to improve the operating environment and reinforce confidence on film investment in China.

BUSINESS REVIEW

For the six months ended 30 June 2018, the Group recorded revenue from the principal businesses of RMB21.7 million, representing an increase of 6.4% year-on-year. The gross profit for the period was RMB7.2 million (first half of 2017: RMB4.8 million). During the period under review, the Group effectively kept the costs of the principal businesses under control and the gross profit margin increased by 9.7 percentage points from 23.5% for the six months ended 30 June 2017 to 33.2% for the six months ended 30 June 2018. During the period, the net loss after taxation was approximately RMB60.5 million (first half of 2017: RMB32.9 million), primarily attributable to (a) higher professional fees arising from project acquisitions; (b) increase in provision for an onerous operating lease; and (c) fair value loss on financial assets at fair value through profit or loss.

Newspaper advertising

The business environment remained challenging in the print media market as the market was hit by new online media. With the competition from new media and the Internet, the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory, resulting in a decrease of the advertising revenue from the newspaper to RMB2.7 million for the first half of 2018 (2017: RMB3.5 million). However, with the implementation of cost control measures by the management to enhance operational efficiency, the gross profit margin for the first half of 2018 reached 46.7% (2017: 27.6%), representing an increase of 19.1 percentage points as compared with the previous year.

Marketing and printing services

In the first half of 2018, many cities in China continued to adopt policies to stablilize property price. Amidst such macro operating environment and the consequential cutting of marketing budget by property developers, the Group's marketing and printing services division managed to maintain a similar level of business volume as last year, principally due to the solid foundation established by its long-term experience and expertise, its professional team, its brand recognition and reputation.

During the six months ended 30 June 2018, the Group's revenue from marketing and printing services was approximately RMB19.0 million (2017: RMB17.0 million), while the gross profit margin was 31.1% (2017: 22.8%).

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by 6.4% from RMB20.4 million for the six months ended 30 June 2017 to RMB21.7 million for the six months ended 30 June 2018, principally due to the increase in revenue from marketing and printing services which more than offset the decrease in revenue from newspaper advertising. The revenue from marketing and printing services increased from RMB17.0 million for the six months ended 30 June 2017 to RMB19.0 million for the six months ended 30 June 2018.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB7.2 million for the six months ended 30 June 2018, compared to RMB4.8 million for the six months ended 30 June 2017. The increase in gross profit was mainly attributable to the effective control of operating costs.

Other income

Other income increased from RMB6,000 for the six months ended 30 June 2017 to RMB277,000 for the six months ended 30 June 2018, primarily due to the increased income from government grants.

Other loss

The Group recorded a loss of RMB14.3 million for the six months ended 30 June 2018 which is mainly attributable to fair value loss on financial assets at fair value through profit or loss.

Selling and marketing expenses

Selling and marketing expenses decreased by 23.8% from RMB2.1 million for the six months ended 30 June 2017 to RMB1.6 million for the six months ended 30 June 2018 mainly due to the implementation of efficiency management during the period.

General and administrative expenses

General and administrative expenses increased by 62.3% from RMB30.8 million for the six months ended 30 June 2017 to RMB50.0 million for the six months ended 30 June 2018, mainly due to the increase in legal and professional fees incurred and provision for an onerous operating lease during the period.

Finance costs

Finance costs incurred for the six months ended 30 June 2018 was RMB1.4 million, mainly attributable to the interest expense recognised in respect of promissory notes and the loans from a related party.

Income tax expenses

Income tax expenses increased from RMB47,000 for the six months ended 30 June 2017 to RMB677,000 for the six months ended 30 June 2018, mainly due to taxable profit generated from marketing and promotional business and partly offset by the decrease in taxable temporary difference in intangible assets.

Results for the period

The Group recorded a net loss of RMB60.5 million for the six months ended 30 June 2018 mainly attributable to (a) higher professional fees arising from project acquisitions; (b) increase in provision for an onerous operating lease; and (c) fair value loss on financial assets at fair value through profit or loss.

Liquidity and capital resources

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(37,124)**	(25,587)
Net cash used in investing activities	**(56,882)**	(28,725)
Net cash generated from/(used in) financing activities	**80,778**	(1,119)
Net decrease in cash and cash equivalents	**(13,228)**	(55,431)
Cash and cash equivalents at beginning of the period	**60,178**	182,833
Exchange loss on cash and cash equivalents	**(153)**	(3,885)
Cash and cash equivalents at end of the period	**46,797**	123,517

Cash flow used in operating activities

For the six months ended 30 June 2018, net cash used in operating activities amounted to RMB37.1 million, which is primarily attributable to the net loss for the period amounting to RMB60.5 million and partly offset by non-cash items such as provision for an onerous operating lease of RMB9.0 million and fair value loss on financial assets at fair value through profit or loss of RMB14.3 million,.

Cash flow used in investing activities

For the six months ended 30 June 2018, net cash used in investing activities amounted to RMB56.9 million, resulting primarily from the payment for acquisition of subsidiaries of RMB55.6 million (net of cash acquired).

Cash flow generated from/(used in) financing activities

For the six months ended 30 June 2018, net cash generated from financing activities amounted to RMB80.8 million, resulting primarily from the loans from a related party amounting to RMB48.6 million and the net proceeds from issuance of shares amounting to RMB33.3 million.

Capital expenditures

In respect of the multi-purpose media, resort, and eco-tourisum project known as Beijing Shihua Caves Niaoyulin ("Project"), the estimated capital expenditure for the first-stage development of the parcel of uncultivated hills and land at the site of the Project in Beijing in 2018 is approximately RMB15.0 million. During the six months ended 30 June 2018 and 2017, the Group incurs capital expenditures mainly for leasehold improvement and the purchase of office equipment. The Group's capital expenditures were RMB1.3 million and RMB73,000 for the six months ended 30 June 2018 and 30 June 2017, respectively.

Trade receivables – net

The following table sets out the aging analysis of the Group's trade receivables based on invoice date:

	As at 30 June 2018 ***RMB'000*** **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Aging analysis of trade receivables		
1 – 30 days	**3,942**	1,133
31 – 60 days	**460**	252
61 – 90 days	**349**	417
91– 180 days	**769**	1,755
181 – 365 days	**690**	272
Over 1 year	**3,206**	15,991
	9,416	19,820
Less: provision for impairment of trade receivables	**(1,862)**	(13,752)
Trade receivables – net	**7,554**	6,068

The Group's trade receivables increased by 24.6%, from RMB6.1 million as at 31 December 2017 to RMB7.6 million as at 30 June 2018. Such increase was mainly attributable to the slow down in the collection of trade receivable balances during the period.

Properties held for sale

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Properties held for sale	**34,519**	34,519

Properties are classified as properties held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable.

Trade payables

	As at 30 June 2018 *RMB'000* **Unaudited**	As at 31 December 2017 *RMB'000* Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	**634**	547
31 – 90 days	**201**	598
Over 90 days	**3,780**	3,368
	4,615	4,513

The Group's trade payables slightly increased by 2.2%, from RMB4.5 million as at 31 December 2017 to RMB4.6 million as at 30 June 2018, which was primarily attributable to the slow down in the settlement of trade payable balances during the period.

Indebtedness

Indebtedness consists of obligations to lenders, including commercial banks and certain related parties and companies.

During the year ended 31 December 2015, the Group obtained mortgage loans amounting to RMB15,470,000 to finance the Group's acquisition of properties (Note 10). Transaction costs directly attributable to mortgage loans amounted to RMB35,000. The mortgage loans were drawn on 27 February 2015 and was made by the Group to Xiamen Information Group Ltd. for the properties. The mortgage loans are secured by the ownership rights of the properties and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management member and the spouse of a key management member of a subsidiary of the Group.

As at 30 June 2018, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest of 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the period is 5.9% per annum.

During the six months ended 30 June 2018, the Group obtained loans from a related party, TopBig International Development Limited ("TopBig"), amounting to RMB50,164,000. The loan balance is unsecured, carries interest at 5.0% per annum and repayable in nine months from the date of drawdown. The maximum amount that can be drawn down by the Group from TopBig is HK$100 million, as disclosed in the Company's announcement dated 8 May 2018.

Gearing ratio, being proportion of the Group's total borrowings to total assets, increase by 21.8% to 24.9% as at 30 June 2018 (30 June 2017: 3.1%).

As at 30 June 2018, the Group has undrawn bank borrowing facilities of approximately RMB100,000,000 and undrawn borrowing facilities from a related party (i.e. TopBig) of approximately RMB34,146,000.

Commitments

Operating lease commitments - Group

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**9,945**	12,952
Later than 1 year and not later than 5 years	**825**	3,351
	10,770	16,303

Provision for an onerous operating lease of RMB8,958,000 (Note 12) is made during the six months ended 30 June 2018 for the abovementioned operating lease commitments

Contingent liabilities

As at 30 June 2018, the Group has no material contingent liabilities.

Human resources

As at 30 June 2018, the Group had 205 full-time employees (31 December 2017: 218). Total staff costs including directors' remuneration for the six months ended 30 June 2018 was approximately RMB19.6 million (for the six months ended 30 June 2017: approximately RMB21.6 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees. The compensation of the Directors is evaluated by the Remuneration Committee of the Company, which makes recommendations to the Board. In addition, the Remuneration Committee conducts regular reviews of Directors' and senior management's performance, and determines the compensation structure of the Group's senior management.

PROSPECTS

Looking forward to the second half of 2018, with the continuous development of live webcast and online TV drama series, the prospects of the Internet and the film and television cultural industries will remain positive. The Group will continue to identify development and investment opportunities to capitalise its past track record and management expertise in advertising, marketing and media industry in China.

Supreme Glory Limited operates a nature scenery and media based eco-cultural tourism project covering a measurable usable area of approximately 4,022 Chinese mu (equivalent to approximately 2,681,347 square meters) located in Hebei Town, Fangshan District, Beijing. The project is under a 50-year lease that expires in December 2058. The development of the Land is divided into three stages. The first development stage includes the construction of all function zones other than the self-operated studio city, which is expected to be completed and be ready for partial opening and operation by the end of 2018. The second development stage mainly comprises the construction of the studio city and is expected to be completed by the end of 2019. The last development stage includes the construction of outdoor shooting spot in each function zone (other than the studio city) and is expected to commence operation by stages in 2020 and 2021.

Since the completion of the acquisition in May 2018, the first stage construction continued to progress. The paving of connecting paths, the improvement of water, electricity and sewage facilities and the refurbishment and decoration of buildings (including hotel and dormitories, public facilities and sightseeing attractions) are ongoing and largely in line with schedule. The Group intends to develop the project into a unique natural and cultural attraction site for media, resort and eco-cultural tourism. With the staged completion and rolling-out of the development plan, the project is hoped to contribute to the Group's income and further business development.

Regarding the Yongtai project, the Group intends to finance the Yongtai project through the establishment of an investment fund in cooperation with asset management companies and/or debt financing. The Group believes its participation in the Yongtai project and the operation right acquisition can strengthen the Group's business of integrated project development, broaden its income stream in the long run, and reduce its reliance on the downtrend printed media business.

During the second half of the year, the Group will continue to explore opportunities on film and TV investment, production, management and content distribution, with the view to capitalising the synergy from the Group's past track record on advertising, marketing and integrated project development with the prospered growth of the media industry in China.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

CORPORATE GOVERNANCE CODE

The Company recognises the importance and value of achieving high standards of corporate governance practices. The Board believes that good corporate governance is an essential element in maintaining and promoting shareholder value and investor confidence.

The Company has adopted the code provisions on Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance since the date of the listing of the shares of the Company on the Main Board of the Stock Exchange on 3 December 2010 (the "Listing Date"), which shall also be revised from time to time in accordance with the Listing Rules. Saved as disclosed below, the Board considers the Company has complied with the code provisions as set out in the CG Code.

CODE PROVISION E1.2

Under code provision A.2.1 of the CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Since April 2016, the position of the chairman of the Company has been vacated. The Company is identifying suitable candidate to fill the vacancy of chairman.

The Board met regularly to consider and review the major and appropriate issues which may affect the operations of the Company arising from the vacancy of chairmanship. As such, the Board considers that the sufficient measures had been taken and the vacancy of chairmanship should not impair the balance of power and authority between the Board and the management.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made to all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2018 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules with written term of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive directors of the Company, namely Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren and Mr. Cai Jian Quan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2018 with the management of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2018. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2018 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

By order of the Board
ShiFang Holding Limited
Siuming Tsui
Chief Executive Officer

Hong Kong, 28 August 2018

As at the date of this announcement, the executive Directors are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi and Mr. Yu Shiquan; the non-executive Directors are Mr. Chen Wei Dong and Ms. Chen Min; and the independent non-executive Directors are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, and Mr. Cai Jianquan.