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SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

(incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)

(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

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 2019 together with the comparative figures for the corresponding period in 2018.

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 2019

	Note	**30 June 2019** *RMB'000* **Unaudited**	31 December 2018 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	**76,779**	67,426
Right-of-use assets		**14,314**	–
Intangible assets	*4*	**285,133**	283,912
Interests in an associate		**1,382**	1,635
Prepayments, deposits and other receivables	*5*	**111,471**	37,689
		489,079	390,662
Current assets			
Inventories		**1,174**	1,420
Properties held for sale		**24,622**	24,622
Financial assets at fair value through profit or loss	*7*	**5,996**	6,173
Trade receivables – net	*6*	**6,887**	7,858
Contract assets – net		**1,882**	2,173
Prepayments, deposits and other receivables	*5*	**8,497**	9,593
Amounts due from related parties		**1,280**	820
Restricted cash		**1,611**	–
Cash and cash equivalents		**8,972**	33,880
		60,921	86,539
Total assets		**550,000**	477,201
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,402**	191,994
Share premium		**36,376**	851,682
Other reserves		**184,958**	53,914
Accumulated deficits		**(21,235)**	(922,308)
		206,501	175,282
Non-controlling interests		**11,312**	12,680
Total equity		**217,813**	187,962

	Note	30 June 2019 RMB'000 Unaudited	31 December 2018 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities		**10,361**	–
Other payables		**55,000**	–
Promissory notes		**–**	81,552
Convertible bonds	*8*	**142,423**	–
Deferred income tax liabilities		**51,090**	51,723
Loans from a related party		**–**	87,132
		258,874	220,407
Current liabilities			
Trade payables	*9*	**4,558**	4,597
Other payables and accrued expenses		**33,922**	34,046
Financial guarantees		**1,107**	–
Lease liabilities		**3,519**	–
Borrowings	*10*	**7,323**	8,377
Amounts due to related parties		**1,781**	628
Current income tax liabilities		**21,103**	21,184
		73,313	68,832
Total liabilities		**332,187**	289,239
Total equity and liabilities		**550,000**	477,201

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*2*	**16,928**	21,700
Cost of sales	*12*	**(13,829)**	(14,526)
Gross profit		**3,099**	7,174
Selling and marketing expenses	*12*	**(691)**	(1,588)
General and administrative expenses	*12*	**(27,569)**	(50,032)
Other income	*11*	**354**	277
Other loss	*11*	**(177)**	(14,277)
Operating loss		**(24,984)**	(58,446)
Finance income	*13*	**42**	68
Finance costs	*13*	**(17,314)**	(1,443)
Finance costs – net	*13*	**(17,272)**	(1,375)
Share of losses of an associate		**(252)**	–
Loss before income tax		**(42,508)**	(59,821)
Income tax credit/(expenses)	*14*	**628**	(677)
Loss for the period		**(41,880)**	(60,498)

	Note	Six months ended 30 June 2019 RMB'000 Unaudited	2018 RMB'000 Unaudited
(Loss)/profit attributable to:			
– Owners of the Company		**(40,626)**	(61,408)
– Non-controlling interests		**(1,254)**	910
		(41,880)	(60,498)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Currency translation differences		**(337)**	(651)
Other comprehensive loss for the period		**(337)**	(651)
Total comprehensive loss for the period		**(42,217)**	(61,149)
Total comprehensive (loss)/profit attributable to:			
– Owners of the Company		**(40,963)**	(62,059)
– Non-controlling interests		**(1,254)**	910
		(42,217)	(61,149)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*15*	**(0.0662)**	(0.1315)*
– Diluted (RMB per share)	*15*	**(0.0662)**	(0.1315)*

* *The loss per share was retrospectively adjusted after the capital reorganisation as disclosed in Note 15*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

ShiFang Holding Limited (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 media and film media business in PRC and diversifying into tourism and integrated developments.

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 Company announced on 18 January 2019 that the Company proposed to change the domicile of the Company from the Cayman Islands to Bermuda by way of discontinuation in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change has been effective on 18 March 2019 (Bermuda time).

The address of its registered office has been changed from PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands to Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda after the change of domicile.

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2019.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

During the six months ended 30 June 2019, the Group reported a net loss of RMB41,880,000 and had a net cash outflow from operating activities of RMB19,975,000. As at 30 June 2019, the Group's current liabilities exceeds its current assets by RMB12,392,000 while it had cash and cash equivalents of approximately RMB8,972,000. The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Notwithstanding the above, the condensed consolidated interim financial information is prepared on a going concern basis.

The Board of Directors of the Company has given careful consideration to the future liquidity and its available source of financing in assessing whether the Group has sufficient financial resources to continue as a going concern. 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 30 June 2019. The projections include 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.

In order to improve the Group's financial position and alleviate the liquidity pressure, the Directors have been implementing various measures as set out below:

(i) The Group has been diversifying into tourism and integrated developments since 2018 to broaden the Group's income stream and reduce its reliance on the declining printed media business. The Directors believed that the tourism and integrated developments segment will improve the profit margin and operating cashflows of the Group in the future.

(ii) The Group is in negotiation with potential financiers to obtain a long term borrowing facility to support the Group's working capital expenditures in the foreseeable future.

(iii) The Group will continue to seek for other alternative financing to finance the settlement of its existing financial obligations and future operating and capital expenditures.

(iv) The Group will continue to take initiatives to implement cost control measures so as to improve operating cash inflows.

(v) The Group will continue its efforts to implement measures to strengthen its working capital position, including expediting collection of outstanding trade receivables, expediting the sales of properties-held-for-sale and to control or defer the capital expenditures.

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.

Notwithstanding the above, uncertainty exists as to whether management of the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through achieving the following plans:

(i) Successful development of the tourism and integrated development business to improve the profit margin and operating cashflows of the Group;

(ii) Securing the long term borrowing from the potential financier in the near term; and

(iii) Obtaining additional sources of financing as and when needed.

1.3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2018, as described in those annual financial statements except for those disclosed in Note 1.4 and the followings:

(a) New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of new and amended accounting standards and interpretations that become applicable for annual reporting periods commencing on or after 1 January 2019 and entities will need to consider whether any of these could affect their existing accounting policies for their 2019 interim reports:

- IFRS 16 Leases
- Annual improvements 2015-2017 Cycle
- IFRIC 23 Uncertainty over Income Tax Treatments

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28, and
- Plan Amendment, Curtailment or Settlement – Amendments to IAS 19.

The impact of the adoption of "IFRS 16 Leases" 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) Convertible bonds

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a non-convertible bond with similar terms. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion, early redemption or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity or derivative liability according to the conversion feature embedded. Any directly attributable transaction costs are allocated to the liability and equity or derivative liability component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a convertible bond is measured at amortised cost using the effective interest method. The equity component of a convertible bond is not re-measured subsequent to initial recognition except on conversion or expiry.

(c) Financial guarantees

Financial guarantees are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(d) Restricted cash

Bank deposits which are restricted to use are classified as "restricted cash". Restricted cash are excluded from cash and cash equivalents in the condensed consolidated statement of cash flows.

(e) New standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2019 and have not been early adopted by the Group

Amendments to IFRS 3, "Definition of a business"	1 January 2020
Amendments to IAS 1 and IAS 8, "Definition of Material"	1 January 2020
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 and amendments to standards 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 and amendments to standards, none of these is expected to have a significant effect on the condensed consolidated interim financial information of the Group.

1.4 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's condensed consolidated interim financial information.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 using the simplified transition approach, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(a) *Adjustments recognised on adoption of IFRS 16*

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.8%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	9,102
Discounted using the lessee's incremental borrowing rate at the date of initial application	(439)
(Less): short-term leases recognised on a straight-line basis	(392)
(Less): low-value leases recognised on a straight-line basis	(46)
Add: adjustments as a result of a different treatment of termination options	6,251
Lease liabilities recognised as at 1 January 2019	14,476
Of which are:	
Current lease liabilities	5,372
Non-current lease liabilities	9,104
	14,476

The recognised right-of-use assets are solely related to rented land and properties. The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. The right-of-use asset at 1 January 2019 has been adjusted for the amount of provision for an onerous lease recognised in the condensed consolidated balance sheet immediately before the adoption of IFRS 16 on 1 January 2019.

The change in accounting policy affected the following items in the condensed consolidated balance sheet on 1 January 2019:

– right-of-use assets – increase by RMB10,679,000

– lease liabilities – increase by RMB14,476,000

– other payable – decrease by RMB3,368,000

– exchange reserve – decrease by RMB28,000

– non-controlling interests – decrease by RMB114,000

The net impact on accumulated deficits on 1 January 2019 was an increase of RMB287,000.

Loss per share decreased by RMB0.0001 for the six months ended 30 June 2019 as a result of the adoption of IFRS 16.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics

– reliance on previous assessments on whether leases are onerous

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(b) ***The Group's leasing activities and how these are accounted for***

The Group leases various land and properties as offices. Rental contracts are typically made for fixed periods of 1 to 41 years but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the year ended 31 December 2018, the Group's leases were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and the corresponding liabilities at the date at which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable

– variable lease payment that are based on an index or a rate

– amounts expected to be payable by the lessee under residual value guarantees

– the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

– payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The termination options held are exercisable only by the Group and not by the respective lessor.

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 2018.

2 Segment and revenue 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.

During the year, the Group adjusted its organisation structure into two business segments, namely (i) Publishing and advertising segment and (ii) Tourism and integrated developments segment. The comparative information has been restated accordingly.

The Executive Directors assess the performance of the operating segments based on a measure of earnings before interest, other income, other loss and income tax. This measurement basis excludes the effects of non-recurring expenditure from operating segments. Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group. No analysis of segment assets and liabilities is regularly provided to the Executive Directors.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC and the Group's consolidated assets are substantially located in the PRC, no geographical information is presented.

As at 30 June 2019, the Executive Directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

(i) Publishing and advertising segment, which mainly included provision of the advertising services, marketing and consulting services, and printing services.

(ii) Tourism and integrated developments segment, which mainly included provision of tourism and integrated services through its media, resort and eco-tourism integrated development projects, including the Beijing Shihua Caves Niaoyulin Project and the Township Development Project.

The table below shows the segment results and other segment items provided to the Executive Directors for the reportable segments for the six months ended 30 June 2019.

	Publishing and advertising	**Tourism and integrated developments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	15,508	1,420	16,928
Timing of revenue recognition for revenue			
At a point in time	14,264	324	14,588
Over time	1,244	1,096	2,340
Share of losses of an associate	(252)	–	(252)
Segment results	(14,513)	(10,900)	(25,413)
Other income			354
Other loss			(177)
Finance costs – net			(17,272)
Loss before income tax			(42,508)
Income tax credit			628
Loss for the period			(41,880)

The table below shows the segment results and other segment items provided to the Executive Directors for the reportable segments for the six months ended 30 June 2018.

	Publishing and advertising	**Tourism and integrated developments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue from external customers	21,700	–	21,700
Timing of revenue recognition			
At a point in time	19,157	–	19,157
Over time	2,543	–	2,543
Segment results	(37,928)	(6,518)	(44,446)
Other income			277
Other loss			(14,277)
Finance costs – net			(1,375)
Loss before income tax			(59,821)
Income tax expense			(677)
Loss for the period			(60,498)

The accounting policies of the reportable segments are the same as the Group's accounting policies.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Advertising	**1,685**	2,683
Marketing services	**11,632**	16,618
Printing services	**2,191**	2,399
Others	**1,420**	–
	16,928	21,700

3 Property, plant and equipment

	Land and buildings RMB'000	Construction In progress RMB'000	Leasehold improvement RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Exhibition animals RMB'000	Total RMB'000
At 31 December 2018								
Cost	49,565	7,597	10,071	32,123	9,675	6,970	4,293	120,294
Accumulated depreciation	(908)	–	(6,515)	(28,591)	(6,318)	(5,634)	(143)	(48,109)
Accumulated impairment losses	–	–	(1,227)	(3,532)	–	–	–	(4,759)
Net carrying amount	48,657	7,597	2,329	–	3,357	1,336	4,150	67,426
Six months ended 30 June 2019								
Opening net carrying amount	48,657	7,597	2,329	–	3,357	1,336	4,150	67,426
Additions	–	10,538	761	–	824	187	–	12,310
Disposals	–	–	(605)	–	–	–	–	(605)
Transfer	–	(2,578)	2,578	–	–	–	–	–
Depreciation *(Note 12)*	(749)	–	(548)	–	(381)	(187)	(429)	(2,294)
Currency translation differences	–	–	(44)	–	(11)	(3)	–	(58)
Closing net carrying amount	47,908	15,557	4,471	–	3,789	1,333	3,721	76,779
At 30 June 2019								
Cost	49,565	15,557	11,955	32,123	10,499	7,157	4,293	131,149
Accumulated depreciation	(1,657)	–	(6,257)	(28,591)	(6,710)	(5,824)	(572)	(49,611)
Accumulated impairment losses	–	–	(1,227)	(3,532)	–	–	–	(4,759)
Net carrying amount	47,908	15,557	4,471	–	3,789	1,333	3,721	76,779

4 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 2018									
Cost	3,139	11,500	78,631	14,500	9,400	8,476	193,439	28,000	347,085
Accumulated amortisation	(2,672)	(11,500)	–	(14,500)	(7,135)	(8,476)	(3,171)	(471)	(47,925)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	57	–	66,058	–	–	–	190,268	27,529	283,912
Six months ended 30 June 2019									
Opening net carrying amount	57	–	66,058	–	–	–	190.268	27,529	283,912
Acquisition of a subsidiary	–	–	3,955	–	–	–	–	–	3,955
Amortisation *(Note 12)*	(3)	–	–	–	–	–	(2,378)	(353)	(2,734)
Closing net carrying amount	54	–	70,013	–	–	–	187,890	27,176	285,133
At 30 June 2019									
Cost	3,139	11,500	82,586	14,500	9,400	8,476	193,439	28,000	351,040
Accumulated amortisation	(2,675)	(11,500)	–	(14,500)	(7,135)	(8,476)	(5,549)	(824)	(50,659)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	54	–	70,013	–	–	–	187,890	27,176	285,133

5 Prepayments, deposits and other receivables

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current portion		
Rental deposits	**430**	428
Prepayment for township development *(Note (i))*	**22,000**	22,000
Prepayment for property, plant and equipment	**34,041**	11,761
Prepayment for acquisition of a subsidiary	**–**	3,000
Deposits for marketing and promotion contracts *(Note (ii))*	**55,000**	–
Other deposits	**–**	500
	111,471	37,689
Current portion		
Prepayments	**572**	772
Rental deposit	**500**	4,120
Deposits and other receivables	**7,425**	4,701
Prepayments, deposits and other receivables	**8,497**	9,593

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

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
RMB	**119,538**	43,405
HK$	**430**	3,877
	119,968	47,282

Note:

(i) Prepayment for township development

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 the Township Project. Under the framework agreement, the Group shall pay a deposit of RMB50,000,000 to Yongtai Government, which was 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 2018, 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 was deducted from the RMB50,000,000 refundable deposit placed by the Group with Yongtai Government under the framework agreement. The prepayment of RMB28,000,000 had been utilised upon completion of the acquisition on 19 April 2018.

As at 30 June 2019 and 31 December 2018, the remaining amount of RMB22,000,000 is intended to be utilised for township development and is classified as a prepayment for township development.

(ii) Deposits for marketing and promotion contracts

As at 30 June 2019, deposits for marketing and promotion contracts represent cash paid by the Group to a property developer in the PRC in relation to exclusive marketing and promotion services agreements between the Group and the property developer. Pursuant to the agreements, the Group has obtained rights as the sole marketing and promotion services provider for two real estate development projects owned by the property developer for terms of 3 years over the selling period of the real estate development projects. These deposits will, amongst other terms and conditions, be repayable to the Group after the Group meet the sales target as stated in the agreements.

6 Trade receivables – net

	As at 30 June 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Trade receivables	**10,505**	10,331
Less: provision for impairment of trade receivables	**(3,618)**	(2,473)
Trade receivables – net	**6,887**	7,858

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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**1,962**	3,942
31 – 60 days	**156**	780
61 – 90 days	**716**	470
91 – 180 days	**516**	954
181 – 365 days	**3,416**	1,800
Over 1 year	**3,739**	2,385
	10,505	10,331
Less: provision for impairment of trade receivables	**(3,618)**	(2,473)
Trade receivables – net	**6,887**	7,858

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

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**2,473**	13,958
Provision for impairment of trade receivables *(Note 12)*	**1,145**	–
Reversal of provision for impairment of trade receivables *(Note 12)*	**–**	(1,551)
Receivables written off	**–**	(10,545)
At 30 June	**3,618**	1,862

7 Financial assets at fair value through profit or loss

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Investment in a network drama *(Note (i))*	**5,996**	6,173

(i) Investment in a network drama

On 8 May 2018, the Group acquired an investment in a network drama through the acquisition of subsidiaries. Pursuant to the investment agreement on 22 May 2017, a wholly-owned subsidiary of Supreme Glory Limited 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 2019.

For the six months ended 30 June 2019, a fair value loss of RMB177,000 relating to the financial assets at fair value through profit or loss was recognised in the condensed consolidated statement of comprehensive income (six months ended 30 June 2018: RMB14,277,000).

8 Convertible bonds

On 24 January 2019, the Company entered into the convertible bond subscription agreement with TopBig International Development Limited (the "Subscriber"), a company wholly-owned by Mr. Chen Zhi, an Executive Director and a shareholder of the Company, pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, 3% per annum convertible bonds (the "Convertible Bonds") in the aggregate principal amount of HK$250,000,000 (equivalent to RMB215,750,000).

The initial conversion price of the Convertible Bonds is HK$0.24 per conversion share. The Convertible Bonds matures at the day falling on the third anniversary of the date of issue of the Convertible Bonds and the conversion period covers the period commencing on the date of issue of the Convertible Bonds and ending on the maturity date.

On 23 April 2019, the Convertible Bonds were issued. The initial value of the liability component was calculated using a market interest rate for an equivalent non-convertible bond of the Company.

The Convertible Bonds are presented as follows:

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Face value of the Convertible Bonds on the issue date	**215,750**	–
Less: Transactions costs	**(4,095)**	–
Less: Equity component	**(42,003)**	–
Liability component on initial recognition	**169,652**	–
Interest accrued *(note (a))*	**3,265**	–
Conversion during the period *(note (b))*	**(30,494)**	–
Non-current liability	**142,423**	–

Notes:

(a) Interest expense is calculated by applying the effective interest rate of 11.5% per annum to the liability component.

(b) The Subscriber partially converted the Convertible Bonds in the aggregate principal amount of RMB38,441,000 during the six months ended 30 June 2019.

9 Trade payables

	As at 30 June 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
Trade payables	**4,558**	4,597

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 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
1 – 30 days	**484**	641
31 – 90 days	**390**	406
Over 90 days	**3,684**	3,550
	4,558	4,597

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

10 Borrowings

	As at 30 June 2019 *RMB'000* Unaudited	As at 31 December 2018 *RMB'000* Audited
Secured bank borrowings – current *(Note i)*	**5,758**	6,877
Other borrowings – current	**1,565**	1,500
	7,323	8,377

Note i:

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 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Within 1 year	**2,229**	2,229
Between 1 and 2 years	**2,230**	2,230
Between 2 and 5 years	**1,299**	2,418
	5,758	6,877

11 Other income and other loss

	Six months ended 30 June 2019 *RMB'000* **Unaudited**	Six months ended 30 June 2018 *RMB'000* Unaudited
Other income:		
Government grants	**273**	248
Sundry Income	**81**	29
	354	277
Other loss:		
Fair value loss on financial assets at fair value through profit or loss *(Note 7)*	**(177)**	(14,277)

12 Expenses by nature

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

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper advertising		
– Media costs	**1,208**	1,359
Cost of printing services:		
– Raw material	**1,563**	1,373
– Other costs	**558**	226
Depreciation of property, plant and equipment *(Note 3)*	**2,294**	2,386
Depreciation of right-of-use assets	**1,324**	–
Amortisation *(Note 4)*	**2,734**	1,153
Auditor's remuneration	**1,253**	1,666
Operating lease charges in respect of land and building	**764**	6,603
Provision for impairment of property, plant and equipment	**–**	1,227
Provision for an onerous operating lease	**–**	8,958
Net provision for/(reversal of) impairment of trade receivables *(Note 6)*	**1,145**	(1,551)
Net (reversal of)/provision for impairment of contract assets	**(7)**	23
Write-off of trade receivables	**–**	1,439
Loss on disposal of property, plant and equipment	**158**	–
Net foreign exchange (gain)/loss	**(2,503)**	4,537
Employee benefit expenses (including directors' emoluments)	**23,354**	19,620
Business tax	**246**	269

13 Finance costs – net

	Six months ended 30 June 2019	Six months ended 30 June 2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**42**	68
Total finance income	**42**	68
Finance costs:		
– Interest expense on convertible bonds	**(3,265)**	–
– Interest expense on lease liabilities	**(326)**	–
– Interest expense on promissory notes	**(2,522)**	(1,133)
– Interest expense on loans from a related party	**(1,297)**	(310)
– Loss on early redemption of promissory notes	**(9,657)**	–
– Interest expense on short term borrowings	**(247)**	(254)
Less: amounts capitalised on qualifying assets	**–**	254
	(17,314)	(1,443)
Finance costs – net	**(17,272)**	(1,375)

14 Income tax credit/(expenses)

	Six months ended 30 June 2019 RMB'000 Unaudited	Six months ended 30 June 2018 RMB'000 Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**(5)**	(953)
Deferred income tax	**633**	276
	628	(677)

15 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2019 and 2018 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 2019 Unaudited	Six months ended 30 June 2018 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(40,626)**	(61,408)
Weighted average number of shares in issue, including bonus element (thousands)	**613,243**	466,928*
Basic loss per share (RMB per share)	**(0.0662)**	(0.1315)*

* *The Capital Reorganisation has been effective on 10 April 2019 after fulfilment of all precedent conditions. Upon completion of the Capital Reorganisation (including the four-to-one share consolidation), the weighted average number of shares in issue has been adjusted for the effect of share consolidation. The calculation of basic and diluted loss per share for all periods presented has also been adjusted retrospectively.*

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the period ended 30 June 2019 (2018: same).

The effect of the exercise of convertible bonds was not included in the calculation of diluted loss per share as they are anti-dilutive during the period ended 30 June 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2019 (the "Review Period"), the Chinese economy has maintained an overall stable development trend, notwithstanding the challenges faced by the domestic and global economies. The instabilities and uncertainties of the global economy has created downward pressure to the economy in China. According to the National Bureau of Statistics of China, China's gross domestic product (GDP) was RMB45,093.3 billion during the first half of 2019, representing a year-on-year growth of 6.3%. The growth rate of 6.3% during the first half of 2019 represented a decrease of 0.5% as compared with the corresponding period last year, or a decrease of 0.3% if compared with the full year of 2018. In terms of industry sectors, the value-added of the primary, secondary and tertiary industries amounted to RMB2,320.7 billion, RMB17,998.4 billion and RMB24,774.3 billion, representing year-on-year growths of 3.0%, 5.8% and 7.0%, respectively.

Affected by the challenging economic outlook, the Chinese advertisement market declined by 8.8% in the first half of 2019. The advertising revenue on TV, radio, newspaper, magazine and traditional outdoor advertising decreased by 2.4%, 9.7%, 30.6%, 6.1% and 18.9%, respectively. In the first half of 2019, the top five industries with most media advertising expenses were food and beverage, postal and telecommunications, pharmaceutical, commercial and service industries.

According to the National Film Development Funds Management Committee ("NFDFMC"), during the first half of 2019, mainland China recorded a box office of RMB31.17 billion, representing a year-on-year decrease of 2.7% after nine consecutive years of growth. The total viewership was 808 million, representing a year-on-year decrease of 10.3% as compared to 901 million for the corresponding period last year. The box office of domestically-produced films was RMB15.754 billion, representing a year-on-year decrease of 16.94% as compared to RMB18.967 billion for the corresponding period last year. The share of domestically-produced films was 50.54%, as compared to 59.21% for the corresponding period last year. 42 films recorded box office of over RMB100 million throughout the first six months of 2019, including 17 domestic films and 25 imported films. Generally, the film industry has maintained its leading role in the cultural and entertainment industry in China, despite severe competition from online dramas, live broadcasts and short videos.

BUSINESS REVIEW

For the six months ended 30 June 2019, the Group recorded revenue of RMB16.9 million from its principal business (first half of 2018: RMB21.7 million). The gross profit was RMB3.1 million (first half of 2018: RMB7.2 million). During the period, the Group effectively kept the costs of the principal businesses under control and the gross profit margin reached 18.3%. The net loss after taxation was reduced to approximately RMB41.9 million (first half of 2018: RMB60.5 million).

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 newspaper advertising revenue to RMB1.7 million for the first half of 2019 (first half of 2018: RMB2.7 million).

Marketing, Printing and Consulting Services

In the first half of 2019, many cities in China continued to adopt policies to stabilize property price. Amidst such macro operating environment and the consequential reduction of marketing budget by property developers, the Group's revenue from marketing and printing service decreased.

During the six months ended 30 June 2019, the Group's revenue from marketing and printing services was approximately RMB13.8 million (the first half of 2018: RMB19.0 million), while the gross profit margin was 11.4% (the first half of 2018: 31.1%).

Internet and other services

During the period under review, the Group was still conducting market survey to decide the business models of www.dnkb.com.cn and www.duk.cn and as such, the Internet services segment has yet to contribute revenue to the Group.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by 22.1% from RMB21.7 million for the six months ended 30 June 2018 to RMB16.9 million for the six months ended 30 June 2019, principally due to the decrease in revenue from marketing and printing services and the decrease in revenue from newspaper advertising. The revenue from marketing and printing services decreased from RMB19.0 million for the six months ended 30 June 2018 to RMB13.8 million for the six months ended 30 June 2019.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB3.1 million for the six months ended 30 June 2019, compared to RMB7.2 million for the six months ended 30 June 2018. The decrease in gross profit was mainly attributable to certain partially fixed costs of sales (such as staff costs) not being decreased as much as the decrease in revenue. The gross profit margin decreased from 33.2% for the six months ended 30 June 2018 to 18.3% for the six months ended 30 June 2019.

Other income

Other income increased from RMB277,000 for the six months ended 30 June 2018 to RMB354,000 for the six months ended 30 June 2019, primarily due to the increased income from government grants.

Other loss

The Group recorded other loss of RMB177,000 for the six months ended 30 June 2019 which is 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 56.3% from RMB1.6 million for the six months ended 30 June 2018 to RMB0.7 million for the six months ended 30 June 2019 mainly due to the implementation of efficiency management and the decrease in revenue during the period.

General and administrative expenses

General and administrative expenses decreased by 44.8% from RMB50.0 million for the six months ended 30 June 2018 to RMB27.6 million for the six months ended 30 June 2019, mainly due to the decrease in legal and professional fees, decrease in provision for an onerous operating lease, decrease in rental and decrease in exchange loss, offset by the increase in salary.

Finance costs

Net finance costs incurred for the six months ended 30 June 2019 was RMB17.3 million, mainly attributable to the increase in interest expense recognised in respect of convertible bonds, promissory notes and the loans from a related party and loss on early redemption of promissory notes.

Income tax credit/expenses

Income tax expenses decreased from RMB677,000 for the six months ended 30 June 2018 to income tax credit RMB628,000 for the six months ended 30 June 2019, mainly due to the decrease in taxable temporary difference in intangible assets.

Results for the period

The Group recorded a net loss of RMB41.9 million for the six months ended 30 June 2019 mainly attributable to (a) decrease in professional fees; (b) decrease in provision for an onerous operating lease; and (c) decrease in fair value loss on financial assets at fair value through profit or loss.

Liquidity and capital resources

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(19,975)**	(37,124)
Net cash used in investing activities	**(34,144)**	(56,882)
Net cash generated from financing activities	**29,444**	80,778
Net decrease in cash and cash equivalents	**(24,675)**	(13,228)
Cash and cash equivalents at beginning of the period	**33,880**	60,178
Exchange loss on cash and cash equivalents	**(233)**	(153)
Cash and cash equivalents at end of the period	**8,972**	46,797

Cash flow used in operating activities

For the six months ended 30 June 2019, net cash used in operating activities amounted to RMB20.0 million, which is primarily attributable to the net loss for the period amounting to RMB41.9 million and partly offset by non-cash items such as loss on early redemption of promissory notes of RMB9.7 million, and depreciation and amortisation of RMB6.4 million.

Cash flow used in investing activities

For the six months ended 30 June 2019, net cash used in investing activities amounted to RMB34.1 million, resulting primarily from the purchases of property, plant and equipment of RMB34.6 million.

Cash flow generated from financing activities

For the six months ended 30 June 2019, net cash generated from financing activities amounted to RMB29.4 million, resulting primarily from the net cash proceeds from the issue of convertible bonds in the amount of RMB33.5 million.

Capital expenditures

During the six months ended 30 June 2019 and 2018, the Group incurred capital expenditures mainly for construction costs related to property, plant and equipment, purchase of leasehold improvement and the purchase of office equipment. The Group's capital expenditures were RMB14.7 million and RMB1.3 million for the six months ended 30 June 2019 and 30 June 2018, 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 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis of trade receivables		
1 – 30 days	**1,962**	3,942
31 – 60 days	**156**	780
61 – 90 days	**716**	470
91– 180 days	**516**	954
181 – 365 days	**3,416**	1,800
Over 1 year	**3,739**	2,385
	10,505	10,331
Less: provision for impairment of trade receivables	**(3,618)**	(2,473)
Trade receivables – net	**6,887**	7,858

The Group's trade receivables decreased by 12.7%, from RMB7.9 million as at 31 December 2018 to RMB6.9 million as at 30 June 2019. Such decrease was mainly attributable to the increase of provision for impairment of trade receivables during the period.

Properties held for sale

	As at 30 June 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Properties held for sale	**24,622**	24,622

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 2019 RMB'000 Unaudited	As at 31 December 2018 RMB'000 Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	**484**	641
31 – 90 days	**390**	406
Over 90 days	**3,684**	3,550
	4,558	4,597

The Group's trade payables stayed at the same level of RMB4.6 million as at 30 June 2019 (31 December 2018: RMB4.6 million).

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 2019, 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 7.1% per annum.

During the year ended 31 December 2018, the Group obtained a loan amounting to RMB1,500,000 from a third party. The balance is unsecured, carries an interest rate at 6% per annum with a term of 2 years. The balance is denominated in RMB.

As at 30 June 2019, the loan was classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives debtor the unconditional right to call the loans at any time.

On 23 April 2019, the 3% per annum convertible bonds in the principal amount of RMB215,750,000 were issued by the Company to the Subscriber, a company wholly-owned by Mr. Chen Zhi, an Executive Director and a shareholder of the Company. The convertible bond has a term of 3 years. The effective interest rate for the period is 11.5% per annum.

As at 30 June 2019, the outstanding principal amount of the convertible bond was approximately RMB177,309,000.

Gearing ratio, being proportion of the Group's total borrowings to total assets, decrease by 7.3% to 29.8% as at 30 June 2019 (31 December 2018: 37.1%).

Commitments

(a) Operating lease commitments – as a lessee

The Group leases various land and properties under non-cancellable operating lease agreements. The operating lease commitment as at 30 June 2019 presented below represents the future aggregate minimum lease payments for the leases with lease terms less than one year and low value leases. The remaining leases have been recorded as lease liabilities as at 30 June 2019 under newly adopted accounting standard IFRS 16 (Note 1.4). The operating lease commitment as at 31 December 2018 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**48**	5,232
Later than 1 year and not later than 5 years	**–**	3,870
	48	9,102

Provision for an onerous operating lease of RMB2,902,000 as at 31 December 2018 is made for the abovementioned operating lease commitments. Provision for the onerous operating lease contract has been adjusted to set-off the carrying amount of right-of-use asset upon adoption of IFRS 16 on 1 January 2019.

(b) Operating lease commitments – as a lessor

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

	As at 30 June 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Not later than 1 year	**2,000**	2,000
Later than 1 year and not later than 5 years	**5,000**	6,000
	7,000	8,000

(c) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at 30 June 2019 *RMB'000* **Unaudited**	As at 31 December 2018 *RMB'000* Audited
Property, plant and equipment	**4,424**	7,930

Contingent liabilities

The Group follows the guidance of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when should contingent liabilities be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

As at 30 June 2019 and 31 December 2018, the Group had no material contingent liabilities.

Human resources

As at 30 June 2019, the Group had 240 full-time employees (31 December 2018: 236). Total staff costs including directors' remuneration for the six months ended 30 June 2019 was approximately RMB23.4 million (for the six months ended 30 June 2018: approximately RMB19.6 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

The global economy has shown signs of slowing down in 2019. It is believed that economic structural reform, industry re-positioning and measures encouraging innovation and healthy competition will be implemented to offset the downward pressure faced by the Chinese economy.

With the putting into effect of regulatory measures in the past two years, China's film and television industry has shifted from a stage of rapid growth to meet the demand of entertainment consumption into a consolidation stage focusing on content quality. Aggressive expansion of media channels and mass production of low-quality content are unsustainable in the long run, and only those industry players which focus on operational management and quality content will be the ultimate survivors. Investment opportunities will arise during this consolidation stage.

The rise of webcast and online TV dramas will bring new momentum to the film and television culture industry. The Group will continue to identify suitable investment opportunities with a view to capitalising on its extensive experience in advertising, marketing and media industry in China and seizing the opportunities in the film industry of Mainland China through proactively rolling out quality productions in due course.

In support of the 13th Five-Year Plan of the State and the Central Government's plan to build 1,000 "distinctive towns" in China by 2020 to promote the integrated development of the primary, secondary and tertiary industries in rural areas, the Group actively leverages its experience and resources in the advertising, film, culture and media industries to develop integrated developments on the theme of film or media. The Group has made efforts to identify locations with distinctive environmental factors for integrated development projects with industry positioning, cultural heritage, tourism features, entertainment and community functions such as health and wellness, so as to form synergies with our existing businesses.

In May 2018, the Group completed the acquisition of Supreme Glory Limited, which 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 Group intends to develop the project into a unique natural and cultural scenic spot integrating media, resort, and eco-cultural tourism. The development of the land is divided into three stages. The first development stage involves the construction of all functional zones other than the self-operated studio city; the second stage mainly comprises the construction of the studio city; and the third stage involves the construction of outdoor shooting spot in each function zone (other than the studio city). With the phasal completion and operation of the Group's crossover development project featuring "film and television plus cultural tourism", the project is expected to contribute to the Group's revenue and business growth.

In September 2017, the Group entered into a framework agreement with the government of Yongtai County, Fuzhou City, Fujian Province regarding the strategic cooperation on "Yongtai Kungfu Distinctive Town" which covers an area of 15.6 square kilometers. The Group has a 40-year exclusive operation right of the project, which covers the development, construction, management and operation of commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment. The Group plans to re-establish the Longchuan-Longmen Canyon Scenic Area as a 4A scenic spot.

Leveraging on our extensive experience in marketing, distribution management and consulting, we are developing a mobile app and software platform to analyze big data of consumer pattern, and to match the supply sides and demand sides of outdoor advertising screen. The platform is also planned to provide an e-commerce function to serve the community.

The Group will continue to proactively explore business opportunities for investment, production, management and content distribution of films and TV dramas. Leveraging on the Group's track record and experience in advertising, marketing and integrated project development, the Group will continue to identify suitable industry partners and investment and production projects and continuously promote the management of film and television projects to capture opportunities arising from the growing market size of China's film and television culture industry and the transformation and upgrade that combine the strength of online and offline channels in the new media era.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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.

During the period under review, Mr. Siuming Tsui was the CEO of the Company and the position of chairman of the Company was vacated. The Company is identifying suitable candidate to fill the vacancy of chairman.

CODE PROVISION A.2.1

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 2019 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 2019.

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 2019. 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 2019.

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 2019 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 2019

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.