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)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 122.5% from RMB55.0 million for the year ended 31 December 2018 to RMB122.4 million for the year ended 31 December 2019.
- The gross profit of the Group increased by 13.5% from RMB18.5 million for the year ended 31 December 2018 to RMB21.0 million for the year ended 31 December 2019.
- The Group recorded a net loss of RMB143.5 million for the year ended 31 December 2019, which is mainly attributable to: (a) increase in selling and marketing expenses; (b) higher finance costs; and (c) provision for impairment on goodwill.
- The Group recorded a basic loss of RMB0.2028 per share (after the Capital Reorganisation) for the year ended 31 December 2019 as compared to RMB0.3161 (adjusted retrospectively after the Capital Reorganisation) for the year ended 31 December 2018.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year of 2018.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2019 but represents an extract from the Group's unaudited consolidated financial statements. For the reasons explained in the Paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2019 has not been completed. These unaudited consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**"), but have not been agreed with the Company's auditors.

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

	Note	2019 RMB'000 Unaudited	2018 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**90,212**	67,426
Right-of-use assets		**7,280**	–
Intangible assets	*6*	**216,349**	283,912
Interests in an associate		**–**	1,635
Prepayments, deposits and other receivables	*9*	**83,638**	37,689
		397,479	390,662
Current assets			
Biologial assets		**239**	–
Inventories		**774**	1,420
Properties held for sale	*7*	**25,386**	24,622
Financial assets at fair value through profit or loss		**6,165**	6,173
Trade receivables – net	*8*	**9,561**	7,858
Contract assets – net		**3,744**	2,173
Prepayments, deposits and other receivables	*9*	**9,845**	9,593
Amounts due from related parties		**1,114**	820
Restricted cash		**1,098**	–
Cash and cash equivalents		**9,753**	33,880
		67,679	86,539
Total assets		**465,158**	477,201

	Note	2019	2018
		RMB'000	*RMB'000*
		Unaudited	Audited
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**6,402**	191,994
Share premium	*12*	**36,376**	851,682
Other reserves		**183,903**	53,914
Accumulated deficits		**(119,774)**	(922,308)
		106,907	175,282
Non-controlling interests		**8,208**	12,680
Total equity		**115,115**	187,962
LIABILITIES			
Non-current liabilities			
Lease liabilities		**9,215**	–
Other payables		**52,000**	–
Promissory notes		**–**	81,552
Deferred income tax liabilities		**50,412**	51,723
Convertible bonds	*10*	**150,669**	–
Loans from a related party		**–**	87,132
		262,296	220,407
Current liabilities			
Trade payables	*11*	**8,106**	4,597
Other payables and accrued expenses		**41,100**	34,046
Financial guarantees		**1,518**	–
Lease liabilities		**3,010**	–
Borrowings		**6,230**	8,377
Current income tax liabilities		**17,310**	21,184
Amounts due to related parties		**10,473**	628
		87,747	68,832
Total liabilities		**350,043**	289,239
Total equity and liabilities		**465,158**	477,201

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 *RMB'000* Unaudited	2018 *RMB'000* Audited
Revenue	*3*	**122,374**	55,016
Cost of sales	*13*	**(101,330)**	(36,521)
Gross profit		**21,044**	18,495
Selling and marketing expenses	*13*	**(12,209)**	(3,439)
General and administrative expenses	*13*	**(63,521)**	(88,635)
Net fair value loss on financial assets at fair value through profit or loss		**(8)**	(84,498)
Net change in provision for impairment of financial and contract assets	*13*	**(786)**	582
Provision for impairment on goodwill	*13*	**(66,058)**	–
Other income		**336**	917
Other loss – net		**(82)**	–
Operating loss		**(121,284)**	(156,578)
Finance income		**62**	111
Finance costs		**(26,032)**	(7,260)
Finance costs – net		**(25,970)**	(7,149)
Share of losses of an associate		**(1,366)**	(165)
Loss before income tax		**(148,620)**	(163,892)
Income tax credit/(expense)	*14*	**5,097**	(705)
Loss for the year		**(143,523)**	(164,597)
Loss attributable to:			
– Owners of the Company		**(139,165)**	(164,403)
– Non-controlling interests		**(4,358)**	(194)
		(143,523)	(164,597)

	Note	2019	2018
		RMB'000	*RMB'000*
		Unaudited	Audited
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Currency translation differences		**(1,392)**	(2,571)
Other comprehensive loss for the year		**(1,392)**	(2,571)
Loss and total comprehensive loss for the year		**(144,915)**	(167,168)
Loss and total comprehensive loss attributable to:			
– Owners of the Company		**(140,557)**	(166,974)
– Non-controlling interests		**(4,358)**	(194)
		(144,915)	(167,168)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	*15*	**(0.2028)**	(0.3161)
– Diluted *(RMB per share)*	*15*	**(0.2028)**	(0.3161)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These unaudited consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These unaudited consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2020.

2 Summary of significant accounting policies

2.1 Basis of preparation

The unaudited consolidated financial statements of ShiFang Holding Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The unaudited consolidated financial statements have been prepared on a historical cost basis, except for below:

- financial assets at fair value through profit or loss – measured at fair value; and

- biological assets – measured at fair value less costs to sell.

The preparation of unaudited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited consolidated financial statements are to be included in the 2019 annual report.

The accounting policies and methods of computation used in preparing the unaudited consolidated financial statements of the Group as extracted from the Group's unaudited consolidated financial statements are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 December 2018, except for the adoption of the following amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2019.

Going concern

During year ended 31 December 2019, the Group reported a net loss of RMB143,523,000 and had a net cash outflow from operating activities of RMB26,269,000. As at 31 December 2019, the Group's current liabilities exceeds its current assets by RMB20,068,000 while it had cash and cash equivalents of approximately RMB9,753,000.

In early 2020, after the rapid outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), a series of precautionary and control measures have been and continued to be implemented across mainland China, including postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements and encouraged social distancing, etc. Such precautionary and control measures is causing short-term disruption to the Group's tourism and integrated developments, whereas the Group's advertising and marketing related services is also affected by the poor consumer sentiment caused by the epidemic. If the present situation in respect of the COVID-19 outbreak continued and the restrictions and control measures are prolonged, the Group's operation performance and cash flow may be negatively affected.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

The directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the unaudited consolidated financial statements for the year ended 31 December 2019. In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(i) The Group has been diversifying its business to the tourism and integrated development operations in order to strengthen the Group's operating income and reduce its reliance on the declining printed media business as it is suffering from the competition of new online media. The Group is closely monitoring the impact of the COVID-19 outbreak on the progress of the Group's various projects in the tourism and integrated developments segment and despite there were some delay in the preparation work, the Group anticipated the projects will be ready for commercial operation at the planned time. However, the Group will commence the commercial operations of its projects when the mainland tourist market condition and customer sentiment is resume to normal. The Directors is confident that the Group would be able to commence the commercial operations of its projects in the tourism and integrated developments segment in 2020 and started to generate income and operating cashflows to the Group.

(ii) Subsequent to 31 December 2019, the Group has successfully obtained a revolving bank borrowing facility of RMB5,900,000 that is available for drawdown for a period from 6 April 2020 to 20 March 2021. The amounts drawn under this facility will be repayable a year from the date of drawdown;

(iii) The Group is in negotiation with a bank to obtain a RMB50 million long term project finance facilities to fund the Group's working capital and capital investment for one of the Group's tourism and integrated development projects. Such borrowing facility is expected to be secured by the Group's properties and properties-held-for-sale with carrying amount of approximately RMB23,790,000 and RMB20,421,000, respectively, as at 31 December 2019. Based on the communication with the Bank, the Directors are confident that such borrowing facilities will be approved by the bank by May 2020;

(iv) The Group has obtained written confirmation from directors and related parties who confirmed that they will not demand the Group for repayment of the amount due by the Group of RMB9,966,000 for the next twelve months from 31 December 2019;

(v) The Group will continue to seek for other alternative financing, including seeking equity or project finance for the tourism and integrated development projects, the settlement of its existing financial obligations and future operating and capital expenditures;

(vi) The Group will continue to take initiatives to implement cost control measures, including adjustment to management remuneration and streamlining administrative costs; and

(vii) 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 defer capital expenditures, where necessary.

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 unaudited consolidated financial statements on a going concern basis.

Notwithstanding the above, material 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 and measures:

(i) Successful implementation of measures to address the disruptions caused by the COVID-19 outbreak so as to complete the preparation work and commence the commercial operation of the projects of the Group's tourism and integrated development projects as planned. Successful implementation of business plan for these project to improve the Group's operating results and generate cash inflow;

(ii) Successful in securing the project bank borrowings of RMB50 million from the bank in the near term;

(iii) Successful implementation of measures to control operating cost, expedite collection from customers and generate cash inflow from the sales of property held for sale to improve the Group's cash flow position; and

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

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the unaudited consolidated financial statements.

(i) Amendments to standards effective in 2019

IFRS 16	Leases
Annual improvements project	Annual Improvements 2015-2017 Cycle
IFRIC 23	Uncertainty over income tax treatment
Amendments to IFRS 9	Prepayment features with negative compensation
Amendments to IAS 28	Long-term interests in associates and joint ventures
Amendments to IAS 19	Defined benefit plan amendment, curtailment or settlement

The Group had to change its accounting policies and make certain retrospective adjustments on the opening consolidated balance sheet on 1 January 2019 following the adoption of IFRS 16. The adoption of other amendments to standards did not have any material impact on the unaudited consolidated financial statements for the current year or any prior years.

(ii) New standards, amendments to standards and interpretations that are not yet effective and have not been early adopted by the Group

Amendments to IFRS 3	Definition of a business[1]
Amendments to IAS 1 and IAS 8	Definition of material[1]
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting[1]
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform – amendment to IFRS 7, IFR 9 and IAS 39[1]
IFRS 17	Insurance contract[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective date to be determined

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2020 and have not been applied in preparing these unaudited consolidated financial statements. None of these is expected to have a significant effect on the unaudited consolidated financial statements of the Group.

2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's unaudited consolidated financial statements.

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

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%.

(i) Practical expedients applied

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- reliance on previous assessments on whether leases are onerous
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using 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.

(ii) Measurement of lease liabilities

	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 assets at 1 January 2019 have been adjusted for the amount of provision for onerous leases recognised in the 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 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 RMB0.0006 per share for the year ended 31 December 2019 as a result of the adoption of IFRS 16.

(iii) 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.

3 Revenue

Revenue from external customers are mainly derived from the provision of newspaper advertising services to advertisers in the PRC, the provision of marketing and consulting services, printing services and sales of agricultural products. The total sales amount of the Group's five largest customers is RMB26,713,000 for the year ended 31 December 2019 (2018: RMB18,642,000). An analysis of the Group's revenue for the year is as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Newspaper advertising	**4,376**	6,952
Marketing and consulting services	**23,813**	39,498
Printing services	**4,408**	4,765
Sales of agricultural products	**87,265**	2,892
Others	**2,512**	909
	122,374	55,016

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Timing of revenue recognition		
– At a point in time	**115,225**	39,912
– Over time	**5,149**	14,195
– Under IFRS 16	**2,000**	909
	122,374	55,016

During the year ended 31 December 2019 and 2018, no customer of the Group accounted for more than 10% of the Group's revenue.

Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Contract assets *(Note (i))*	**3,891**	2,224
Less: Provision for impairment *(Note (ii))*	**(147)**	(51)
Contract assets – net	**3,744**	2,173
Contract liabilities *(Note (iii))*	**6,717**	5,649
Total contract liabilities	**6,717**	5,649

Notes:

(i) Contract assets represent the Group's right to consideration in the exchange for services that the Group has transferred to customer. The contract assets are transferred to trade receivables when the right to bill the customer has established and receipt of the consideration is conditional only on the passage of time.

(ii) The Group expects that contract assets have the same risk characteristics as trade receivables.

The Group applies the simplified approach to provide for expected credit losses. As at 31 December 2019, a provision of RMB147,000 (2018: RMB51,000) was made against the gross amount of contract assets.

(iii) Contract liabilities represent receipts in advance of non-refundable payments made by customers.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue, which was included in the contract liability balance at the beginning of the year, recognised during the year relates to carried-forward contract liabilities.

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Revenue recognised that was included in the contract liability balance at the beginning of the year	**521**	1,092

(iv) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from newspaper advertising services contracts:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Newspaper advertising services	**6,717**	5,649

Management expects the above unsatisfied (or partially satisfied) contracts will be recognised as revenue during the next reporting period.

4 Segment information

(a) Description of segments and principal activities

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.

(b) Segment revenue and segment results

As at 31 December 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 and sales of agricultural products, including the Beijing Shihua Caves Niaoyulin Project, the Yongtai Distinctive Town Project and Cooperative Project in YongFu Town.

The table below shows the segment results and other segment items provided to the Executive Directors for the reportable segments for the year ended 31 December 2019.

	Tourism and integrated developments	**Publishing and advertising**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	Unaudited	**Unaudited**	**Unaudited**
Segment revenue from external customers	91,267	31,107	122,374
Timing of revenue recognition for revenue			
At a point in time	87,509	27,716	115,225
Over time	1,758	3,391	5,149
Under IFRS16	2,000	–	2,000
Share of losses of an associate	–	(1,366)	(1,366)
Segment results	(85,167)	(37,737)	(122,904)
Other income			336
Other loss			(82)
Finance costs – net			(25,970)
Loss before income tax			(148,620)
Income tax credit			5,097
Loss for the year			(143,523)

The table below shows the segment results and other segment items provided to the Executive Directors for the reportable segments for the year ended 31 December 2018.

	Tourism and integrated developments *RMB'000*	Publishing and advertising *RMB'000*	Total *RMB'000*
Segment revenue from external customers	9,280	45,736	55,016
Timing of revenue recognition for revenue			
At a point in time	3,801	37,020	40,821
Over time	5,479	8,716	14,195
Share of losses of an associate	–	(165)	(165)
Segment results	(16,514)	(141,146)	(157,660)
Other income			917
Finance costs – net			(7,149)
Loss before income tax			(163,892)
Income tax expense			(705)
Loss for the year			(164,597)

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

5 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 1 January 2018								
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
Year ended 31 December 2018								
Opening net carrying amount	4,447	–	3,468	2,481	2,612	1,699	–	14,707
Acquisition of subsidiaries	16,900	–	–	–	–	–	–	16,900
Acquisition of assets through acquisition of a subsidiary	–	–	–	–	707	–	4,293	5,000
Additions	24,567	7,597	1,737	–	452	220	–	34,573
Transfer	3,418	–	–	–	–	–	–	3,418
Disposals	–	–	–	–	(11)	–	–	(11)
Depreciation *(Note 13)*	(675)	–	(1,732)	(679)	(455)	(600)	(143)	(4,284)
Impairment	–	–	(1,227)	(1,802)	–	–	–	(3,029)
Currency translation differences	–	–	83	–	52	17	–	152
Closing net carrying amount	48,657	7,597	2,329	–	3,357	1,336	4,150	67,426
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

	Land and buildings *RMB'000*	Construction in progress *RMB'000*	Leasehold improve-ment *RMB'000*	Machinery *RMB'000*	Fixture, furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Exhibition animals *RMB'000*	Mature bearer plants *RMB'000*	Immature bearer plants *RMB'000*	Total *RMB'000*
Year ended 31 December 2019 (Unaudited)										
Opening net carrying amount	48,657	7,597	2,329	–	3,357	1,336	4,150	–	–	67,426
Additions	–	12,177	2,101	–	911	187	–	5,585	10,048	31,009
Transfer	–	(4,363)	4,363	–	–	–	–	–	–	–
Disposals	–	–	(604)	–	(25)	–	–	–	–	(629)
Depreciation *(Note 13)*	(1,499)	–	(1,514)	–	(834)	(591)	(859)	(137)	–	(5,434)
Impairment	–	–	(969)	–	(966)	(273)	–	–	–	(2,208)
Currency translation differences	–	–	32	–	11	5	–	–	–	48
Closing net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212
At 31 December 2019 (Unaudited)										
Cost	49,565	15,411	10,777	32,123	10,589	7,171	4,293	5,585	10,048	145,562
Accumulated depreciation	(2,407)	–	(4,070)	(28,591)	(7,169)	(6,234)	(1,002)	(137)	–	(49,610)
Accumulated impairment losses	–	–	(969)	(3,532)	(966)	(273)	–	–	–	(5,740)
Net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212

During the year ended 31 December 2018, certain buildings with net book value of RMB3,418,000 were transferred from properties held for sale.

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Cost of sales	**137**	1,192
General and administrative expenses	**5,297**	3,092
Total	**5,434**	4,284

6 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 1 January 2018									
Cost	3,127	11,500	12,573	14,500	9,400	8,476	–	–	59,576
Accumulated amortisation	(2,656)	(11,500)	–	(14,500)	(6,176)	(8,476)	–	–	(43,308)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	61	–	–	–	959	–	–	–	1,020
Year ended 31 December 2018									
Opening net carrying amount	52	–	–	–	480	–	–	–	532
Additions	12	–	–	–	–	–	–	28,000	28,012
Acquisition of subsidiaries	–	–	66,058	–	–	–	193,439	–	259,497
Amortisation *(Note 13)*	(7)	–	–	–	(480)	–	(3,171)	(471)	(4,129)
Closing net carrying amount	57	–	66,058	–	–	–	190,268	27,529	283,912
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

	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
Year ended 31 December 2019 (Unaudited)									
Opening net carrying amount	57	–	66,058	–	–	–	190,268	27,529	283,912
Additions	8	–	–	–	–	–	–	–	8
Acquisition of subsidiaries	–	–	3,955	–	–	–	–	–	3,955
Amortisation *(Note 13)*	(6)	–	–	–	–	–	(4,757)	(705)	(5,468)
Impairment	–	–	(66,058)	–	–	–	–	–	(66,058)
Closing net carrying amount	59	–	3,955	–	–	–	185,511	26,824	216,349
At 31 December 2019 (Unaudited)									
Cost	3,146	11,500	82,586	14,500	9,400	8,476	193,439	28,000	351,047
Accumulated amortisation	(2,676)	(11,500)	–	(14,500)	(7,135)	(8,476)	(7,928)	(1,176)	(53,391)
Accumulated impairment losses	(411)	–	(78,631)	–	(2,265)	–	–	–	(81,307)
Net carrying amount	59	–	3,955	–	–	–	185,511	26,824	216,349

The amortisation of intangible assets has been charged to "General and administrative expenses" in the consolidated statement of comprehensive income.

For the purpose of impairment testing, goodwill has been allocated to the cash generating units as summarised below:

	Opening *RMB'000*	Acquisition of subsidiaries *RMB'000*	Impairment *RMB'000*	Closing *RMB'000*
Year ended 31 December 2019 (Unaudited)				
Beijing Shihua Caves Niaoyulin Project *(Note (i))*	66,058	–	(66,058)	–
Cooperative project in Yongfu Town	–	3,955	–	3,955
	66,058	3,955	(66,058)	3,955
Year ended 31 December 2018				
Beijing Shihua Caves Niaoyulin Project	–	66,058	–	66,058

Note:

(i) During the year ended 31 December 2018 and 2019, the basis of determining the recoverable amount of the cash generating unit ("CGU") and the major underlying assumptions are summarised below:

The recoverable amount has been determined based on estimating the higher of the CGU's value in use and its fair value less cost of disposal. The recoverables amount of the CGU determined based on the fair value less cost of disposal was lower than the carrying amount of the CGU.

As at 31 December 2019, due to delay in timeline and changes in market condition, management of the Group has revised its business plan for this CGU and determined that the provision for impairment of goodwill amounted to RMB66,058,000 (2018: Nil). The entire goodwill arising from the acquisition of Supreme Glory Limited had been impaired as at 31 December 2019.

7 Properties held for sale

The Group's properties held for sale includes the following:

	2019 ***RMB'000*** **Unaudited**	2018 *RMB'000* **Audited**
Properties held for sale	**25,386**	24,622

The properties in the PRC were received in exchange of advertising services to real estate developers in the PRC. The Group's intention is to sell these properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the advertising sales transaction if the related properties are ready to be sold.

Management assessed the fair value less costs to sell of the properties with reference to their market value. Valuation methodologies used in the valuation included direct market comparable approach and income approach which are within Level 2 and Level 3 of the fair value hierarchy respectively. For direct market comparable approach, observable inputs other than quoted prices within Level 1 included market price of comparable properties adjusted having regard to the location, size and nature of the properties (Level 2). For income approach, unobservable inputs included expected rent income, growth rate and discount rate (Level 3). There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. For the year ended 31 December 2019, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary (2018: RMB4,252,000) *(Note 13)*.

The gain or loss on disposal and impairment loss of properties held for sale are recorded in "General and administrative expenses" in the consolidated statement of comprehensive income.

8 Trade receivables – net

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**12,724**	10,331
Less: provision for impairment of trade receivables	**(3,163)**	(2,473)
Trade receivables – net	**9,561**	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 the end of the month in which the relevant sales occurred. Aging analysis of the Group's trade receivables based on invoice date was as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	8,486	3,942
31 – 60 days	112	780
61 – 90 days	84	470
91 – 180 days	118	954
181 – 365 days	1,068	1,800
Over 1 year	2,856	2,385
	12,724	10,331
Less: provision for impairment of trade receivables	(3,163)	(2,473)
Trade receivables – net	9,561	7,858

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

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

As at 31 December 2019, trade receivables of RMB3,163,000 (2018: RMB2,473,000) were impaired and provided for. For the year ended 31 December 2019, the amounts of the provision charged to the unaudited consolidated statement of comprehensive income were RMB690,000 (2018: adjustment to provision recognised as a gain in the consolidated statement of comprehensive income of RMB607,000).

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

During the year ended 31 December 2019, trade receivables of RMB2,191,000 (2018: RMB10,878,000) were directly written-off to the consolidated statement of comprehensive income.

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

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
At 1 January	**2,473**	13,752
Change in accounting policies	**–**	206
Net change in provision for impairment of trade receivables	**690**	(607)
Receivables written off	**–**	(10,878)
At 31 December	**3,163**	2,473

The provision for/(reversal of provision for) impairment of trade receivables have been included in "General and administrative expenses" in the consolidated statement of comprehensive income.

The Group does not hold any collateral as security.

9 Prepayments, deposits and other receivables

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-current portion		
Prepayment for township development *(Note (i))*	**17,000**	22,000
Prepayment for property, plant and equipment	**9,991**	11,761
Prepayment for acquisition of a subsidiary	**–**	3,000
Other prepayment	**4,209**	–
Deposits for marketing and promotion contracts *(Note (ii))*	**52,000**	–
Rental deposits	**438**	428
Other deposits	**–**	500
	83,638	37,689

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Current portion		
Prepayments	**3,284**	772
Rental deposit	**500**	4,120
Deposits and other receivables	**6,061**	4,701
	9,845	9,593

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

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
RMB	**93,045**	43,405
HK$	**438**	3,877
	93,483	47,282

(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 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 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 has been subsequently utilised upon completion of the acquisition on 19 April 2018.

As at 31 December 2019, the remaining deposit of RMB17,000,000 (2018: 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 31 December 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.

10 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:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
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))*	**11,511**	–
Conversion during the year *(note (b))*	**(30,494)**	–
Non-current liability	**150,669**	–

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 year ended 31 December 2019 *(Note 12)*.

11 Trade payables

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**8,106**	4,597

Payment terms granted by suppliers 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 purchase occurred.

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

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**4,031**	641
31 – 90 days	**390**	406
Over 90 days	**3,685**	3,550
	8,106	4,597

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

12 Share capital

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
		HK$	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
Ordinary shares of HK$0.1 each at 1 January 2019 and 31 December 2018 *(Note (a))*	10,000,000,000	0.1			
Capital Reorganisation *(Note (b))*	90,000,000,000	(0.09)			
Ordinary shares of HK$0.01 each at 31 December 2019	100,000,000,000	0.01			
Issued:					
Ordinary shares at 31 December 2018 and 1 January 2019	2,287,996,121	228,799,612	191,994	851,682	1,043,676
Cancellation of share premium account *(Note (b))*	–	–	–	(851,682)	(851,682)
Capital Reorganisation *(Note (b))*	(1,715,997,091)	(223,079,622)	(187,194)	–	(187,194)
Issuance of shares upon conversion of convertible bonds *(Note (c))*	185,600,000	1,856,000	1,602	36,376	37,978
At 31 December 2019 (Unaudited)	757,599,030	7,575,990	6,402	36,376	42,778

Notes:

(a) Prior to 19 April 2018, the Company had an authorised share capital of HK$200 million divided into 2,000,000,000 shares of HK$0.1 each. The Company's shareholders approved the increase in the authorised share capital of the Company from HK$200,000,000 divided into 2,000,000,000 shares to HK$1,000,000,000 divided into 10,000,000,000 shares by creation of additional 8,000,000,000 shares through an extraordinary general meeting on 19 April 2018.

(b) On 1 February 2019, the Board of Directors proposed the cancellation of share premium account and to implement a capital reorganisation ("Capital Reorganisation") which involves:

  (i) the share consolidation of every four issued and unissued existing shares of HK$0.10 each into one consolidated share of HK$0.40 each;
  (ii) the capital reduction such that the nominal value of each issued consolidated share be reduced from HK$0.40 to HK$0.01; and
  (iii) the share subdivision of each unissued consolidated share of HK$0.40 each into forty new shares of HK$0.01 each.

  The effective date of the Capital Reorganisation was 10 April 2019 after fulfilment of all precedent conditions. The credits arising from cancellation of share premium account and any credit arising as a result of the cancellation of any fraction in the issued share capital of the Company arising from the share consolidation are designated as the contributed surplus. Upon the cancellation of share premium account and the Capital Reorganisation become effective, the contributed surplus has been applied by the Board to set off against the accumulated deficits of the Group in full.

(c) On 21 May 2019, the convertible bonds in the principal amount of HK$44,544,000 (equivalent to RMB38,441,000) at the conversion price of HK$0.24 were exercised. As a result, 185,600,000 new shares were issued and allotted.

13 Expenses by nature

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

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Cost of newspaper advertising		
– Media costs	**2,391**	2,879
Cost of printing services:		
– Raw materials	**2,819**	3,621
– Other costs	**519**	507
Cost of sales of agricultural products	**76,372**	2,878
Depreciation on property, plant and equipment *(Note 5)*	**5,434**	4,284
Amortisation *(Note 6)*	**5,468**	4,129
Depreciation on right-of-use assets	**2,721**	–
Auditor's remuneration		
– Audit services	**4,147**	3,437
– Non-audit services	**–**	1,142
Marketing expenses	**12,719**	–
Operating lease charges in respect of land and buildings	**222**	8,403
Net loss on disposal of property, plant and equipment	**142**	–
Gain on disposals of properties held for sale	**–**	(193)
Net change in provision for impairment of trade receivables *(Note 8)*	**690**	(607)
Provision for goodwill impairment *(Note 6)*	**66,058**	–
Provision for impairment of financial guarantee	**1,026**	–
Provision for impairment of contract assets	**96**	25
Provision for impairment of property, plant and equipment *(Note 5)*	**2,208**	3,029
Provision for impairment of right-of-use assets	**5,734**	–
Provision for an onerous operating lease	**–**	8,958
Provision for impairment of properties held for sale *(Note 7)*	**–**	4,252
Legal and professional fee	**2,595**	13,266
Write-off of trade receivables	**2,191**	–
Write-off of other receivables	**236**	–
Net foreign exchange (gains)/losses	**(3,560)**	6,328
Employee benefit expenses (including directors' emoluments)	**44,274**	46,099
Business tax	**287**	1,471

14 Income tax (credit)/expense

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**6**	1,673
– Over provision in prior years	**(3,792)**	–
	(3,786)	1,673
Deferred income tax credit	**(1,311)**	(968)
	(5,097)	705

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2019 and 2018.

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Loss before income tax	**(148,620)**	(163,892)
Tax calculated at domestic rates applicable to profits of the entities in the respective jurisdictions	**(27,259)**	(29,149)
Tax effects of:		
Income not subject to tax	**(1,024)**	(5)
Expenses not deductible for tax purposes	**20,540**	25,268
Tax losses for which no deferred income tax asset was recognised	**6,683**	4,853
Utilisation of previously unrecognised tax losses	**(245)**	(262)
Overprovision in prior years	**(3,792)**	–
	(5,097)	705

The weighted average applicable tax rate was 18.3% (2018: 17.8%). The increase is mainly caused by less operation for subsidiaries in Hong Kong which were entitled to lower applicable tax rate.

15 Loss per share

(a) Basic

Basic loss per share for the years is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019 **Unaudited**	2018 Audited
Loss attributable to owners of the Company *(RMB'000)*	**(139,165)**	(164,403)
Weight average number of shares in issue, including bonus element *(thousands)*	**686,214**	520,041
Basic loss per share *(RMB per share)*	**(0.2028)**	(0.3161)

The Capital Reorganisation has been effective on 10 April 2019 *(Note 12)* 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 year ended 31 December 2019 (2018: same).

16 Dividend

No dividend has been declared by the Company since its incorporation.

17 Subsequent events

In early 2020, after the rapid outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak"), a series of precautionary and control measures have been and continued to be implemented across mainland China, including postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements and encouraged social distancing, etc. Such precautionary and control measures is causing short-term disruption to the Group's tourism and integrated developments, whereas the Group's advertising and marketing related services is also affected by the poor consumer sentiment caused by the epidemic. If the present situation in respect of the COVID-19 outbreak continued and the restrictions and control measures are prolonged, the Group's operation performance and cash flow may be negatively affected.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2019 (the "**Review Period**"), the Chinese economy maintained an overall stable development trend. However, global economic and trade growth were slowing down, and there have been a growing source of volatility and risks across the world. According to the National Bureau of Statistics of China, China's annual gross domestic product (GDP) was RMB99,086.5 billion, which represented a year-on-year growth of 6.1% (in terms of comparable price) and was within the expected range of 6-6.5%. The GDP grew 6.4%, 6.2%, 6.0% and 6.0% in the first, second, third and fourth quarter, respectively. In terms of industry sectors, the value-added of the primary, secondary and tertiary industries amounted to RMB7,046.7 billion, RMB38,616.5 billion and RMB53,423.3 billion, representing year-on-year growth of 3.1%, 5.7% and 6.9%, respectively.

The changing and worrying economic environment dampened advertisers' confidence in 2019, which translated into correction in China's advertising market. In the first three quarters of 2019, China's advertisement market declined by 8.0%, with traditional advertising decreasing by 11.4%. Advertising revenue on TV decreased by 10.8%, and advertising length fell by 15.2%. Advertising revenue on radio declined by 10.7%, with advertising length decreasing by 14.7%. Advertising revenue on newspaper and magazine decreased by 27.4% and 7.0%, respectively. Revenue of traditional outdoor advertising decreased by 19.8%, and advertising area decreased by 20.4%. Advertising revenue on TVs in elevators increased by 2.8%. Advertising revenue on posters in elevators increased by 4.5%. Advertising revenue on videos in cinemas increased by 3.6%. Internet advertising revenue decreased by 4.2%.

During the Review Period, Chinese film industry, as major component of China's culture and entertainment industries, maintained steady development trend. According to data from China Film Administration, during 2019, China recorded a box office of RMB64,266 million, representing a year-on-year growth of 5.4%. The box office of domestically-produced films was RMB41,175 million, representing a year-on-year growth of 8.65% and accounting for 64.07% of total box office. The total viewership in cities reached 1,727 million, representing a slight growth from the previous year. 9,708 new film screens were installed in 2019, making the total screen number of 69,787. China further solidified its global leading position in terms of the number of film screens. Related statistics showed that China's film viewership increased to 1,716 million in 2018 from 440 million in 2012, representing a compound annual growth rate (CAGR) of 25.5%. Domestic box office increased to RMB64,270 million in 2019 from RMB17,070 million in 2012, representing a CAGR of 20.85%. Against the backdrop of a rapid economic development, China's film industry also grew quickly. In terms of box office, China is now the world's second largest film market, only second to the US. Moreover, China has the most film screens in the world.

Business Review

For the twelve months ended 31 December 2019, the Group recorded revenue of RMB122.4 million from its principal business (2018: RMB55.0 million). The gross profit was RMB21.0 million (2018: RMB18.5 million). During the year, the gross profit margin decreased from 33.6% in 2018 to 17.2% in 2019, principally due to the lower gross profit margin of the sales of agricultural products. The net loss after taxation was reduced to approximately RMB143.5 million (2018: RMB164.6 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 advertising revenue from the newspaper to RMB4.4 million for 2019 (2018: RMB7.0 million).

Marketing, Consulting and Printing Services

In 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 services decreased from RMB44.3 million in 2018 to RMB28.2 million in 2019, while the gross profit margin decreased to 25.6% (2018: 30.7%).

Internet and Other Services

During the Review Period, the Group was still in the process of market research, in order to formulate the business model of www.dnkb.com.cn and www.duk.cn. Accordingly, the Internet services segment has not contributed any revenue to the Group.

Tourism and integrated developments segment

Distinctive town development is one of the strategic emerging sectors that create new economic growth momentum amid the downward pressure on China's economy in 2019. A new round of large-scale distinctive town construction and investment activities were seen in 2019. The Group has entered into a framework agreement with the government of Yongtai County, Fuzhou City, Fujian Province. According to the agreement, the Group intended to establish an investment fund to support the development of "Yongtai Kungfu Distinctive Town", a film and cultural entertainment project named by Yongtai government. During the Reporting Period, the Group has engaged in development, construction, management and operation of commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment. The first phase of Longmen Canyon Scenic Area has completed most of its construction work during the year. The first phase of "Yongtai Kungfu Distinctive Town" featuring a 60-Chinese mu eco-friendly greenhouse farm and ecologic forests with a total area of over 10,000 Chinese mu. The phase will develop into a full-chain ecological production center that integrates seed production, plantation, processing and sales of agricultural products.

To further develop our eco-agricultural business, during the year, the Company has commenced a cooperation project in Yongfu County, Longyan City, Fujian Province. Under this cooperation project, qualified cultivators joined the Company's cooperatives to form an eco-agricultural demonstration base. Cultivators under the cooperation will be responsible for growing the agricultural products, and the Company will be responsible for sourcing seeds, soil, fertilizers, auxiliary materials and other productive materials them. Moreover, the Company will provide all-round technical guidance and latest industrial information to cultivators under the coooperation. The Company will procure the agricultural products that cultivators produced and sell such products through various marketing channels. During the year, the Company has established an O2O website, mobile app and WeChat mini programme to promote online and offline sales of these agricultural products.

FINANCIAL REVIEW

Revenue

Total revenue increased by 122.5% from RMB55.0 million for the year ended 31 December 2018 to RMB122.4 million for the year ended 31 December 2019, primarily due to the increased revenue from the sales of agricultural products. Revenue from the sales of agricultural products in 2019 was RMB87.3 million (2018: RMB2.9 million). Revenue from newspaper advertising decreased from RMB7.0 million for the year ended 31 December 2018 to RMB4.4 million for the year ended 31 December 2019. Revenue from marketing and consulting services decreased from RMB39.5 million for the year ended 31 December 2018 to RMB23.8 million for the year ended 31 December 2019. Revenue from printing services decreased slightly from RMB4.8 million for the year ended 31 December 2018 to RMB4.4 million for the year ended 31 December 2019.

Gross profit and gross profit margin

Gross profit increased by 13.5% from RMB18.5 million for the year ended 31 December 2018 to RMB21.0 million for the year ended 31 December 2019. Gross profit margin decreased from 33.6% in 2018 to 17.2% in 2019, which was primarily attributable to the lower gross profit margin of the sales of agricultural products.

Other income

Other income decreased by 66.7% from RMB0.9 million for the year ended 31 December 2018 to RMB0.3 million for the year ended 31 December 2019, mainly due to the decrease in customer compensation income of RMB0.5 million which is an one-off item for the year ended 31 December 2018.

Selling and marketing expenses

Selling and marketing expenses increased by 258.8% from RMB3.4 million for the year ended 31 December 2018 to RMB12.2 million for the year ended 31 December 2019, mainly due to the increased selling and marketing expenses of the sales of agricultural products.

General and administrative expenses

General and administrative expenses decreased by 28.3% from RMB88.6 million for the year ended 31 December 2018 to RMB63.5 million for the year ended 31 December 2019, mainly due to (i) decrease in provision for an onerous operating lease for the year ended 31 December 2018; and (ii) decrease in foreign exchange loss from RMB6.3 million to foreign exchange gain of RMB3.6 million.

Loss before income tax

As a result of the non-recurrence in 2019 of the one-off fair value loss on financial assets at fair value through profit or loss for the year ended 31 December 2018, but partially offset by the effect of (a) increase in selling and marketing expenses; (b) higher finance costs; and (c) provision for impairment on goodwill. Loss before income tax for the year ended 31 December 2019 was RMB148.6 million, representing a decrease of 9.3% as compared to loss before income tax of RMB163.9 million for the year ended 31 December 2018.

Loss for the year

The Group recorded a net loss for the year of RMB143.5 million for the year ended 31 December 2019, mainly attributable to decrease in one-off fair value loss on financial assets at fair value through profit or loss for the year ended 31 December 2018, offset by the effect of (a) increase in selling and marketing expenses; (b) higher finance costs; and (c) provision for impairment on goodwill. Loss before income tax for the year ended 31 December 2019 was RMB148.6 million, representing a decrease of 9.3% as compared to loss before income tax of RMB163.9 million for the year ended 31 December 2018.

Loss attributable to non-controlling interests

As a result of the above factors, loss attributable to non-controlling interests increased from RMB0.2 million for the year ended 31 December 2018 to RMB4.4 million for the year ended 31 December 2019.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company decreased from RMB164.4 million for the year ended 31 December 2018 to RMB139.2 million for the year ended 31 December 2019.

Liquidity and capital resources

As at 31 December 2019, the Group had total assets of approximately RMB465.2 million (2018: RMB477.2 million) and total borrowings of approximately RMB169.1 million (2018: RMB177.1 million), representing a gearing ratio, defined as total borrowings over total assets, of approximately 36.4% (2018: 37.1%).

The Group had net current liabilities of approximately RMB20.0 million (2018: net current assets of RMB17.7 million), calculated from the current assets of approximately RMB67.7 million (2018: RMB86.5 million) and current liabilities of approximately RMB87.7 million (2018: RMB68.8 million), representing a current ratio of approximately 0.8 (2018: 1.3).

As at 31 December 2019, the Group had cash and bank balances of approximately RMB10.9 million, including restricted cash of RMB1.1 million (2018: RMB33.9 million).

Going concern

During year ended 31 December 2019, the Group reported a net loss of RMB143,523,000 and had a net cash outflow from operating activities of RMB26,269,000. As at 31 December 2019, the Group's current liabilities exceeds its current assets by RMB20,068,000 while it had cash and cash equivalents of approximately RMB9,753,000. Since the outbreak of COVID-19 Coronavirus epidemic in January 2020, precautionary and control measures including postponement of work resumption after the Chinese New Year holiday, traffic restrictions and quarantine requirements, together with the poor consumer sentiment, were affecting the Group's tourism and integrated developments and advertising and marketing related services to various extents. If the present situation of COVID-19 outbreak continued and the restrictions and control measures are prolonged, the Group's operation performance and cash flow may be negatively affected.

The above situations indicate the existence of material uncertainties which may cast significant doubt about the ability of the Group to continue as a going concern.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as set out in Note 2.1 to the unaudited consolidated financial statements, including the commencement of commercial operations of projects to generate income and operating cashflows, obtaining and negotiations of bank facilities, alternative financing including equity or project finance, cost-control measures, expedition in debt collection and sales and deference of capital expenditure.

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.

Cash flows used in operating activities

For the year ended 31 December 2019, net cash used in operating activities amounted to RMB26.3 million, primarily attributable to the net loss for the year amounted to RMB143.5 million and partially offset by non-cash items, which primarily included (i) provision for impairment of goodwill amounted to RMB66.1 million; (ii) finance costs of RMB26.0 million; and (iii) depreciation and amortisation of RMB13.6 million.

Cash flows used in investing activities

For the year ended 31 December 2019, net cash used in investing activities amounted to RMB23.8 million, resulted primarily from payment for property, plant and equipment of RMB29.2 million.

Cash flows generated from financing activities

For the year ended 31 December 2019, net cash generated from financing activities amounted to RMB25.9 million, mainly attributable to the net proceeds from issuance of convertible bonds.

Capital expenditures

Capital expenditures incurred during the year are mainly for the purchase or construction costs related to properties, plant and equipment. Capital expenditures were RMB39.6 million and RMB31.0 million for the years ended 31 December 2018 and 2019, respectively.

Trade receivables – net

The aging analysis of the Group's trade receivables based on invoice dates is set out in Note 8 to the unaudited consolidated financial statements.

Trade receivables increased by 21.5% from RMB7.9 million as at 31 December 2018 to RMB9.6 million as at 31 December 2019. Such increase was mainly attributable to more revenue generated during the year in general and particularly near year end.

Properties held for sale

As at 31 December 2019, properties held for sale amounted to approximately RMB25.4 million (2018: RMB24.6 million). The properties in the PRC were received in exchange of advertising services to real estate developers in the PRC. The Group's intention is to sell these properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the advertising sales transaction if the related properties are ready to be sold.

Management assessed the fair value less costs to sell of the properties with reference to their market value. For the year ended 31 December 2019, the management compared the carrying amount and fair value less costs to sell of the properties and have not made any further provision for impairment (2018: provision for impairment of RMB4.3 million).

Trade payables

The aging analysis of the Group's trade payables based on invoice dates is set out in Note 11 to the unaudited consolidated financial statements. Trade payables increased from approximately RMB4.6 million as at 31 December 2018 to RMB8.1 million as at 31 December 2019. Trade payables turnover days decreased from 404 days for the year ended 31 December 2018 to 55 days for the year ended 31 December 2019 due to significant increase of purchases in sales of agricultural products.

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. Transaction costs directly attributable to mortgage loans amounted to RMB35,000. The mortgage loans were drawn on 27 February 2015 and a further prepayment of RMB15,470,000 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 guarantees of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group respectively. Total consideration for the properties is RMB22,164,000, of which the initial down payment of RMB6,694,000 was paid by the Group during the year ended 31 December 2014.

As at 31 December 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 year was 7.31% (2018: 7.15%) 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 6.0% per annum with a term of 2 years, and is repayable on demand. The balance is denominated in RMB. As at 31 December 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, the Chairman, the Chief Executive Officer, 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 31 December 2019, the outstanding principal amount of the convertible bond was approximately RMB177,309,000.

Gearing ratio, being the proportion of the Group's total borrowings to total assets, decreased from 37.1% for the year ended 31 December 2018 to 36.4% for the year ended 31 December 2019.

On 12 March 2020, the Group obtained a revolving bank borrowing facility of RMB5,900,000 that is available for drawdown for a period from 6 April 2020 to 20 March 2021.

Subsequent to 31 December 2019, the Group has successfully obtained a revolving bank borrowing facility of RMB5,900,000 that is available for drawdown for a period from 6 April 2020 to 20 March 2021. The amounts drawn under this facility will be repayable a year from the date of drawdown.

The Group is in negotiation with a bank to obtain a RMB50 million long term project finance facilities to fund the Group's working capital and capital investment for one of the Group's tourism and integrated development projects. Such borrowing facility is expected to be secured by the Group's properties and properties-held-for-sale with carrying amount of approximately RMB23,790,000 and RMB20,421,000, respectively, as at 31 December 2019. Based on the communication with the Bank, the Directors are confident that such borrowing facilities will be approved by the bank by May 2020.

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 31 December 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 31 December 2019 under newly adopted accounting standard IFRS 16 (Note 2.2). 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 31 December	
	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**51**	5,232
Later than 1 year and not later than 5 years	**–**	3,870
	51	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:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**2,000**	2,000
Later than 1 year and not later than 5 years	**4,000**	6,000
	6,000	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:

	2019	2018
	RMB'000	*RMB'000*
	Unaudited	Audited
Property, plant and equipment	**4,266**	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 31 December 2019 and 2018, the Group had no material contingent liabilities.

Human resources

As at 31 December 2019, the Group had 257 full-time employees (2018: 236). Total staff costs including directors' remuneration for the year ended 31 December 2019 were RMB44.3 million (2018: RMB46.1 million).

The remuneration of the directors is evaluated by the remuneration committee, which also makes recommendations to the Board. In addition, the remuneration committee reviews the performance, and determines the remuneration structure, of the Group's senior management.

The Company operates an employee share option scheme, the purpose of which is to incentivise or reward eligible individuals who provide services to the Company for their contributions and their continuing efforts to promote the interests of the Company, and for other purposes as the Board may approve from time to time.

CAPITAL REORGANISATION AND CHANGE OF BOARD LOT SIZE

According to the special resolution numbered 3 as set out in the notice of the EGM dated 1 February 2019 and as approved by Shareholders at the EGM held on 25 February 2019, all conditions precedent to the Capital Reorganisation have been fulfilled, the Capital Reorganisation became effective from 9:00 a.m. (Hong Kong time) on the 21st day (if it is not a business day in Hong Kong, the immediately following business day in Hong Kong) after the effective date of the Change of Domicile in Hong Kong time. As the Change of Domicile took effect on Tuesday, 19 March 2019 (Hong Kong time), the Capital Reorganisation took effect from 9:00 a.m. (Hong Kong time) on Wednesday, 10 April 2019.

Upon the Capital Reorganisation becoming effective on 10 April 2019 (Hong Kong time), the board lot size for trading in the Shares will be changed from 1,000 Existing Shares to 10,000 New Shares each.

FUND RAISING ACTIVITIES

Convertible Bonds Subscription

On 24 January 2019, the Company entered into the convertible bond subscription agreement with TopBig International Development Limited (the "**Subscriber**"), a wholly owned company by Mr. Chen Zhi, the 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, the 3% 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 (equivalent to HK$0.06 per share prior to the Capital Reorganisation), subject to adjustment. The Convertible Bond 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 maturity date.

Assuming full conversion of the Convertible Bonds at the initial conversion price of HK$0.24 per conversion share, the Convertible Bonds will be convertible into up to 1,041,666,666 shares (on the basis of consolidated shares after the Capital Reorganisation becoming effective).

The gross and net proceeds from the subscription was approximately HK$250 million and HK$245 million respectively. At the time of subscription, it was the intention of the Company to apply the net proceeds from the subscription as to: (a) approximately HK$105 million for repaying the principal and accrued interest on the HK$100 million loan facility previously granted by the Subscriber; (b) approximately HK$107.5 million for early redemption of the promissory notes issued as consideration for the Supreme Glory acquisition and the accrued interest thereon; and (c) approximately HK$32.5 million for the Group's general expenses such as salaries, rental expenses and professional fees. As at 31 December 2019, all proceeds from the subscription were utilized as intended.

The Convertible Bonds and the new Shares to be issued upon conversion of the Convertible Bonds (the "**Conversion Shares**") shall be allotted and issued by the Company pursuant to the specific mandate granted by the independent shareholders of the Company to the Directors at an extraordinary general meeting of the Company held on 8 March 2019.

Conversion of convertible bonds

Based on the conversion price of HK$0.24 per Share, 185,600,000 Shares (the "**Conversion Shares**") were allotted and issued by the Company to the Subscriber on 21 May 2019. As a result of the Partial Conversion, the issued share capital of the Company has increased from 571,999,030 Shares to 757,599,030 Shares. The Conversion Shares rank pari passu with all the existing Shares in issue as at the date of allotment and among themselves in all respects. The 185,600,000 Conversion Shares represent: (a) approximately 32.45% of the issued share capital immediately before the Partial Conversion; and (b) approximately 24.50% of the issued share capital as enlarged by the Partial Conversion.

Prospects

In 2019, the world saw escalating trade tension and the slowing down of growth in all major economies. Chinese economy is shifting from the stage of "rapid development" to the stage of "quality-oriented development". Moreover, the supply-side structural reform was further advanced, and the economic structure is optimized and upgraded. Economic activities were operating within the reasonable range, creating good market environment for industrial development. The ongoing economic reform and supportive policies for innovation and market-oriented competition have provided new growth momentum and eased the downward pressure on China's economy.

2020 will be the last year in China's 13th five-year plan. It's also the year that China plans to complete the building of a moderately prosperous society and secure the decisive victory against poverty. In the beginning of 2020, the whole country joined together to fight the COVID-19 epidemic. As a socially-responsible company, we responded quickly at the earliest opportunity and took various measures to contain the spread of the virus to protect our staff and customers and to minimize the impact of the epidemic on our business operations.

A series of regulatory policies for the film industry were launched in the past two years. This caused Chinese film industry to shift from a high-growth stage to a stage where priority is given to quality contents, right direction and good culture. Overall, Chinese consumers' rising demand for cultural entertainment will support the long-term growth of film industry, but we believe the growth mode of the industry will become more quality-oriented.

In addition, the rise of webcast and online TV dramas will continuously add value to the film and television culture industry. The Group will continue to identify small and medium-sized development and investment opportunities with the view to capitalising on its rich 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 projects on the theme of film or media. The Group has been seeking locations with unique environmental elements for developing integrated projects with industry positioning, cultural heritage, tourism features, entertainment and community functions such as health and wellness, so as to form synergies with existing businesses.

Supreme Glory Limited, which was acquired by the Group last May, owned an eco-cultural tourism project located in Hebei Town, Fangshan District, Beijing. The project, covering a measurable usable area of approximately 4,022 Chinese mu (equivalent to approximately 2,681,347 square meters) and with beautiful natural sceneries, has a 50-year lease which 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.

To further consolidate the Group's integrated project development business, broaden its revenue sources and reduce its reliance on the print media business, the Group has entered into a framework agreement with the government of Yongtai County, Fuzhou City, Fujian Province. According to the agreement, the Group intended to establish an investment fund to support the development of "Yongtai Kungfu Distinctive Town", a film and cultural entertainment project named by Yongtai government. "Yongtai Kungfu Distinctive Town" covers an area of 15.6 square kilometers. Under this project, the Group aims to reestablish the Longchuan-Longmen Canyon Scenic Area as a 4A scenic spot. The Group has the 40-years' exclusive operation right of the project covering the development, construction, management and operation of commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment. The first phase of the project will be completed in 2020.

Leveraging the Group's rich experience in marketing, distribution management and consultancy, we are actively developing a marketing service ecosystem. We used the outdoor advertising screen as the portal and analyzed the advertising conversion rate using big data technologies, in order to provide marketing services with high precision. In the meanwhile, the Group has launched a smart mobile app that uses blockchain technology and delivers information, e-commerce, advertising and constancy services. We believe this app will help us grab market opportunities.

Looking ahead, the Group will proactively explore and expand business opportunities for investment, production, management and content distribution of films and TV dramas. Leveraging the Group's track record and experience in advertising, marketing and integrated project development, the Group will continue to strive to find 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 of China's film and television culture industry, as well as the complementary integration between and upgrade of online and offline activities in the era of new media.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2019.

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 principles and complied with the former and revised 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 year under review, Mr. Siuming Tsui resigned as the CEO and executive director of the Company on 9 October 2019. The Company has appointed Mr. Chen Zhi as the Chairman and the CEO of the Company on 9 October 2019.

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.

The Board met regularly to consider and review the major and appropriate issues which may affect the operations of the Company arising from the overlap of chairman and CEO. As such, the Board considers that the sufficient measures had been taken, and that either the overlap of chairman and CEO 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 the Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made with all the incumbent 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 year ended to 31 December 2019.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms 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 consists of three independent non-executive directors of the Company, namely Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren, and Mr. Cai Jianquan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the Year has not been completed due to restrictions in force in parts of China to combat the COVID-19 Coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors. As mentioned in Note 2.1 in the unaudited annual result announcement, there are events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Since the audit of the Group's consolidated financial statements has not been completed, it is uncertain, as at the date of this announcement, whether our auditors would issue a modified report to the consolidated financial statements in this regard. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The Company currently expects that the auditing process should be completed on or before 15 May 2020.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting (the "**2020 AGM**") will be held, and (iii) the period during which the register of members will be closed for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2020 AGM. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

These unaudited annual results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). Due to the delay in the completion of the financial reporting and auditing works as a result of the Coronavirus epidemic, the Company currently expects that the annual report of the Company for the year ended 31 December 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 on or before 15 May 2020.

WARNING STATEMENT

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors of the Company. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
ShiFang Holding Limited
Chen Zhi
Chairman & Chief Executive Officer

Hong Kong, 31 March 2020

As at the date of this announcement, the executive Directors are Mr. Chen Zhi (Chairman & Chief Executive Officer) 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.