SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

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

(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of ShiFang Holding Limited (the "**Company**") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019.

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2020

	Note	**30 June 2020** *RMB'000* **Unaudited**	31 December 2019 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment	*3*	**88,130**	90,212
Right-of-use assets		**5,883**	7,280
Intangible assets	*4*	**213,616**	216,349
Prepayments, deposits and other receivables	*5*	**82,243**	83,638
		389,872	397,479
Current assets			
Biological assets		**–**	239
Inventories		**748**	774
Properties held for sale		**24,255**	25,386
Financial assets at fair value through profit or loss		**6,486**	6,165
Trade receivables – net	*6*	**8,471**	9,561
Contract assets – net		**3,589**	3,744
Prepayments, deposits and other receivables	*5*	**10,227**	9,845
Amounts due from related parties		**1,189**	1,114
Restricted cash		**1,353**	1,098
Cash and cash equivalents		**8,396**	9,753
		64,714	67,679
Total assets		**454,586**	465,158
EQUITY			
Equity attributable to owners of the Company			
Share capital		**6,402**	6,402
Share premium		**36,376**	36,376
Other reserves		**182,541**	183,903
Accumulated deficits		**(137,537)**	(119,774)
		87,782	106,907
Non-controlling interests		**8,012**	8,208
Total equity		**95,794**	115,115

	Note	30 June 2020 RMB'000 Unaudited	31 December 2019 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Lease liabilities		**7,533**	9,215
Other payables	*8*	**52,000**	52,000
Deferred income tax liabilities		**49,736**	50,412
Convertible bonds	*7*	**158,946**	150,669
		268,215	262,296
Current liabilities			
Trade payables	*8*	**9,280**	8,106
Other payables and accrued expenses	*8*	**39,527**	41,100
Financial guarantees		**798**	1,518
Lease liabilities		**2,847**	3,010
Borrowings	*9*	**9,511**	6,230
Current income tax liabilities		**16,296**	17,310
Amount due to related parties		**12,318**	10,473
		90,577	87,747
Total liabilities		**358,792**	350,043
Total equity and liabilities		**454,586**	465,158

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*2*	**31,217**	16,928
Cost of sales	*11*	**(26,728)**	(13,829)
Gross profit		**4,489**	3,099
Selling and marketing expenses	*11*	**(2,191)**	(691)
General and administrative expenses	*11*	**(16,043)**	(27,569)
Other income	*10*	**2,417**	354
Other gain/(loss)	*10*	**321**	(177)
Operating loss		**(11,007)**	(24,984)
Finance income	*12*	**37**	42
Finance costs	*12*	**(8,679)**	(17,314)
Finance costs – net	*12*	**(8,642)**	(17,272)
Share of losses of an associate		**–**	(252)
Loss before income tax		**(19,649)**	(42,508)
Income tax credit	*13*	**1,690**	628
Loss for the period		**(17,959)**	(41,880)

	Note	Six months ended 30 June 2020 RMB'000 Unaudited	2019 RMB'000 Unaudited
Loss attributable to:			
– Owners of the Company		**(17,763)**	(40,626)
– Non-controlling interests		**(196)**	(1,254)
		(17,959)	(41,880)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Currency translation differences		**(1,362)**	(337)
Other comprehensive loss for the period		**(1,362)**	(337)
Total comprehensive loss for the period		**(19,321)**	(42,217)
Total comprehensive loss attributable to:			
– Owners of the Company		**(19,125)**	(40,963)
– Non-controlling interests		**(196)**	(1,254)
		(19,321)	(42,217)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*14*	**(0.0234)**	(0.0662)
– Diluted (RMB per share)	*14*	**(0.0234)**	(0.0662)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

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

The Company was incorporated in the Cayman Islands on 9 December 2009 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands.

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

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2020 is unaudited but has been reviewed by the Audit Committee of the Company. This condensed consolidated interim financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board on 28 August 2020.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standards ("IAS") 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

During the six months ended 30 June 2020, the Group reported a net loss of RMB17,959,000 and had a net cash outflow from operating activities of RMB3,422,000. As at 30 June 2020, the Group's current liabilities exceeds its current assets by RMB25,863,000 while it had cash and cash equivalents of approximately RMB8,396,000.

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 are also affected by the poor consumer sentiment caused by the epidemic.

If the present situation in respect of the COVID-19 outbreak continues and the restrictions and control measures are prolonged, the Group's operation performance and cash flow may be further 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 consolidated financial statements for the period ended 30 June 2020. 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 anticipates the projects will be ready for commercial operation according to the revised schedule. The Group will commence the commercial operations of its projects when the mainland tourist market condition and customer sentiment resume to normal. The Directors are confident that the Group would be able to commence the commercial operations of its projects in the tourism and integrated developments segment in 2021 which will start generating income and operating cashflows to the Group.

(ii) The Group successfully issued new shares of the Company to raise approximately RMB13.8 million to finance the Group's working capital needs on 10 July 2020;

(iii) The Group is in negotiation with a bank to obtain a RMB15 million borrowing facilities to fund the Group's working capital needs. Such borrowing facility is expected to be secured by the Group's properties with carrying amount of approximately RMB23,488,000 as at 30 June 2020. Based on the communication with the Bank, the Directors are confident that such borrowing facilities will be approved by the bank in the second half of 2020;

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

(v) The Group will continue its efforts to implement measures to strengthen its working capital position, including expediting collection of outstanding trade receivables, expediting the sales of properties-held-for-sale, deferring discretionary capital expenditures, and seeking equity or project finance for the tourism and integrated development projects, 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 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 above 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 RMB15 million from the bank in the second half of 2020;

(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 consolidated financial statements.

1.3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements except for those disclosed in the followings:

(a) New and amended standards and interpretations must be adopted in the first interim financial statements issued after their effective date or date of early adoption. There are a number of new and amended accounting standards and interpretations that become applicable for annual reporting periods commencing on or after 1 January 2020 and entities will need to consider whether any of these could affect their existing accounting policies for their 2020 interim reports:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Revised Conceptual Framework for Financial Reporting
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to standards and interpretation did not have any impact on the Group's accounting policies.

1.4 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2019.

2 Segment and revenue information

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

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

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

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

As at 30 June 2020, 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 the 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 six months ended 30 June 2020.

	Tourism and integrated developments *RMB'000* **Unaudited**	**Publishing and advertising** *RMB'000* **Unaudited**	**Total** *RMB'000* **Unaudited**
Segment revenue from external customers	11,497	19,720	31,217
Timing of revenue recognition			
At a point in time	10,451	10,357	20,808
Over time	129	9,363	9,492
Under IFRS16	917	–	917
Segment results	(5,781)	(7,964)	(13,745)
Other income			2,417
Other gain			321
Finance costs – net			(8,642)
Loss before income tax			(19,649)
Income tax credit			1,690
Loss for the period			(17,959)

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

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. An analysis of the revenue by category is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising services	**1,612**	1,685
Marketing and consulting services	**16,036**	11,632
Printing services	**2,071**	2,191
Sales of agricultural products	**10,452**	–
Others	**1,046**	1,420
	31,217	16,928

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

	Tourism and integrated developments	**Publishing and advertising**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
	Unaudited	**Unaudited**	**Unaudited**
Segment revenue from external customers	1,420	15,508	16,928
Timing of revenue recognition for revenue			
At a point in time	324	14,264	14,588
Over time	179	1,244	1,423
Under IFRS16	917	–	917
Share of losses of an associate	–	(252)	(252)
Segment results	(10,900)	(14,513)	(25,413)
Other income			354
Other loss			(177)
Finance costs – net			(17,272)
Loss before income tax			(42,508)
Income tax credit			628
Loss for the period			(41,880)

3 Property, plant and equipment

	Land and buildings *RMB'000*	Construction in progress *RMB'000*	Leasehold improvements *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*
At 31 December 2019										
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
Six months ended 30 June 2020										
Opening net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212
Additions	–	103	2	–	15	–	–	–	–	120
Depreciation *(Note 11)*	(749)	–	(495)	–	(291)	(117)	(429)	(137)	–	(2,218)
Currency translation differences	–	–	–	–	–	16	–	–	–	16
Closing net carrying amount	46,409	15,514	5,245	–	2,178	563	2,862	5,311	10,048	88,130
At 30 June 2020										
Cost	49,565	15,514	10,801	32,123	10,585	7,183	4,293	5,585	10,048	145,697
Accumulated depreciation	(3,156)	–	(4,589)	(28,591)	(7,739)	(6,347)	(1,431)	(274)	–	(52,127)
Accumulated impairment losses	–	–	(967)	(3,532)	(668)	(273)	–	–	–	(5,440)
Net carrying amount	46,409	15,514	5,245	–	2,178	563	2,862	5,311	10,048	88,130

4 Intangible assets

	Computer software *RMB'000*	Non-compete agreement *RMB'000*	Goodwill *RMB'000*	Customer relationships *RMB'000*	Trademark *RMB'000*	Web site *RMB'000*	Right to a land lease *RMB'000*	Township operation right *RMB'000*	Total *RMB'000*
At 31 December 2019									
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
Six months ended 30 June 2020									
Opening net carrying amount	59	–	3,955	–	–	–	185,511	26,824	216,349
Amortisation *(Note 11)*	(2)	–	–	–	–	–	(2,378)	(353)	(2,733)
Closing net carrying amount	57	–	3,955	–	–	–	183,133	26,471	213,616
At 30 June 2020									
Cost	3,146	11,500	82,586	14,500	9,400	8,476	193,439	28,000	351,047
Accumulated amortisation	(2,678)	(11,500)	–	(14,500)	(7,135)	(8,476)	(10,306)	(1,529)	(56,124)
Accumulated impairment losses	(411)	–	(78,631)	–	(2,265)	–	–	–	(81,307)
Net carrying amount	57	–	3,955	–	–	–	183,133	26,471	213,616

5 Prepayments, deposits and other receivables

	As at 30 June 2020 *RMB'000* Unaudited	As at 31 December 2019 *RMB'000* Audited
Non-current portion		
Prepayment for township development *(Note (i))*	**17,000**	17,000
Prepayment for property, plant and equipment	**9,991**	9,991
Other prepayment	**2,806**	4,209
Deposits for marketing and promotion contracts *(Note (ii))*	**52,000**	52,000
Rental deposits	**446**	438
	82,243	83,638
Current portion		
Prepayments	**3,151**	3,284
Rental deposit	**500**	500
Deposits and other receivables	**6,576**	6,061
Prepayments, deposits and other receivables	**10,227**	9,845

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
RMB	**92,024**	93,045
HK$	**446**	438
	92,470	93,483

Note:

(i) Prepayment for township development

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

During the year ended 31 December 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 had been utilised upon completion of the acquisition on 19 April 2018 and RMB5,000,000 had been refunded by the Government during the year ended 31 December 2019.

As at 30 June 2020 and 31 December 2019, the remaining amount of RMB17,000,000 is intended to be utilised for township development and is classified as a prepayment for township development.

(ii) Deposits for marketing and promotion contracts

As at 30 June 2020 and 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.

6 Trade receivables – net

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**14,200**	12,724
Less: provision for impairment of trade receivables	**(5,729)**	(3,163)
Trade receivables – net	**8,471**	9,561

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

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**1,195**	8,486
31 – 60 days	**452**	112
61 – 90 days	**1,840**	84
91 – 180 days	**4,901**	118
181 – 365 days	**1,218**	1,068
Over 1 year	**4,594**	2,856
	14,200	12,724
Less: provision for impairment of trade receivables	**(5,729)**	(3,163)
Trade receivables – net	**8,471**	9,561

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

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

	Six months ended 30 June 2020	Six months ended 30 June 2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**3,163**	2,473
Provision for impairment of trade receivables *(Note 11)*	**2,566**	1,145
At 30 June	**5,729**	3,618

7 Convertible bonds

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

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

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

The Convertible Bonds are presented as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**150,669**	–
Liability component on initial recognition	**–**	169,652
Interest accrued *(Note (a))*	**8,277**	3,265
Conversion during the period	**–**	(30,494)
At 30 June	**158,946**	142,423

Note (a):

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

8 Trade payables, other payables and accrued expenses

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**9,280**	8,106
Other payables and accrued expenses:		
Accrued utility expenses and other liabilities	**7,568**	7,707
Accrued salaries and welfare	**10,114**	7,954
Value added tax and other taxes payable	**1,327**	3,277
Other payables	**63,375**	66,128
Deposits from customers	**1,309**	1,317
Contract liabilities	**7,834**	6,717
	91,527	93,100
Less: Non-current portion		
Other payables	**(52,000)**	(52,000)
	39,527	41,100
	48,807	49,206

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

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

	As at 30 June 2020 *RMB'000* Unaudited	As at 31 December 2019 *RMB'000* Audited
1 – 30 days	**702**	4,031
31 – 90 days	**1,482**	390
Over 90 days	**7,096**	3,685
	9,280	8,106

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

9 Borrowings

	As at 30 June 2020 *RMB'000* Unaudited	As at 31 December 2019 *RMB'000* Audited
Secured bank borrowings – current *(Note (i))*	**9,511**	4,640
Other borrowings – current	**–**	1,590
	9,511	6,230

Note (i):

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

	As at 30 June 2020 *RMB'000* **Unaudited**	As at 31 December 2019 *RMB'000* Audited
Within 1 year	**8,215**	2,229
Between 1 and 2 years	**1,296**	2,230
Between 2 and 5 years	**–**	181
	9,511	4,640

10 Other income and other gain/(loss)

	Six months ended 30 June 2020 *RMB'000* **Unaudited**	Six months ended 30 June 2019 *RMB'000* Unaudited
Other income:		
Government grants	**2,287**	273
Sundry Income	**130**	81
	2,417	354
Other gain/(loss):		
Fair value gain/(loss) on financial assets at fair value through profit or loss	**321**	(177)

11 Expenses by nature

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

	Six months ended 30 June 2020	Six months ended 30 June 2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper advertising		
– Media costs	**812**	1,208
Cost of printing services:		
– Raw material	**844**	1,563
– Other costs	**202**	558
Cost of agricultural products	**9,042**	–
Cost of marketing services:		
– Subcontracting charges	**8,560**	–
Depreciation of property, plant and equipment *(Note 3)*	**2,218**	2,294
Depreciation of right-of-use assets	**512**	1,324
Amortisation *(Note 4)*	**2,733**	2,734
Auditor's remuneration	**759**	1,253
Marketing expenses	**1,799**	–
Operating lease charges in respect of land and building	**2**	764
Net provision for impairment of trade receivables *(Note 6)*	**2,566**	1,145
Net provision for/(reversal of) impairment of contract assets	**193**	(7)
Loss on disposal of property, plant and equipment	**–**	158
Loss on disposal of right-of-use asset	**41**	–
Gain on disposal of properties held for sale	**(203)**	–
Net foreign exchange gain	**(1,354)**	(2,503)
Employee benefit expenses (including directors' emoluments)	**14,032**	23,354

12 Finance costs – net

	Six months ended 30 June 2020	Six months ended 30 June 2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**37**	42
Finance costs:		
– Interest expense on convertible bonds	**(8,277)**	(3,265)
– Interest expense on lease liabilities	**(255)**	(326)
– Interest expense on promissory notes	**–**	(2,522)
– Interest expense on loans from a related party	**–**	(1,297)
– Loss on early redemption of promissory notes	**–**	(9,657)
– Interest expense on short term borrowings	**(147)**	(247)
Total finance costs	**(8,679)**	(17,314)
Finance costs – net	**(8,642)**	(17,272)

13 Income tax credit

	Six months ended 30 June 2020	Six months ended 30 June 2019
	RMB'000	RMB'000
	Unaudited	Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**(7)**	(5)
– Overprovision in prior years	**1,021**	–
Deferred income tax	**676**	633
	1,690	628

14 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2020 and 2019 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue, including bonus element, during the period.

	Six months ended 30 June 2020 Unaudited	Six months ended 30 June 2019 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(17,763)**	(40,626)
Weighted average number of shares in issue, including bonus element (thousands)	**757,599**	613,243
Basic loss per share (RMB per share)	**(0.0234)**	(0.0662)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the period ended 30 June 2020 (2019: same).

The effect of the exercise of convertible bonds was not included in the calculation of diluted loss per share as they are anti-dilutive during the period ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Industry Review

In the first half of 2020 (the "**Review Period**"), the COVID-19 epidemic had caused tremendous impact on global economy. Although the Chinese economy had shown signs of recovery since the second quarter of 2020, according to the National Bureau of Statistics of China, China's annual gross domestic product (GDP) was RMB45,661.4 billion during the first half of 2020, representing a year-on-year decrease of 1.6% (in terms of comparable price). From the quarterly perspective, the GDP decreased by 6.8% and increased by 3.2% in the first and second quarter, respectively. In terms of industry sectors, in the first half year, the value-added of the primary industry amounted to RMB2,605.3 billion, representing a year-on-year growth of 0.9%, whereas the value-added of the secondary and tertiary industries amounted to RMB17,275.9 billion and RMB25,780.2 billion, representing year-on-year decline of 1.9% and 1.6%, respectively.

Regarding the Chinese advertisement market, sign of recovery was shown as the epidemic prevention and control gradually gained stability amidst the overall trend of negative growth. In June 2020, the overall Chinese advertisement market grew by 1.0% month-on-month, and decreased by 12.6% year-on-year, which basically had resumed to the level before the epidemic. In terms of channels, the advertising revenue on TV, radio, newspapers, magazine and traditional outdoor advertising decreased by 15.1%, 20.3%, 26.5%, 39.2% and 3.6%, respectively, while the advertising revenue on TVs in elevators and posters in elevators increased by 28.9% and 25.2%, respectively. In terms of industry sectors, the food industry saw significant growth in advertising in multiple channels, whereas IT products and services industry performed satisfactorily. The recovery of advertising revenue from commercial and service industries, entertainment and leisure, and outdoor activities products was slow, as these industries were seriously impacted by the epidemic.

During the Review Period, the Chinese film industry was badly hit by the epidemic. During almost the entire period between the end of January and the end of June 2020, the operations of the cinemas nationwide were suspended. From January to June 2020, total box office in China amounted to RMB2,242 million, representing a significant year-on-year decrease of 93%. Despite the surge of utilization rate of video streaming platforms when people stayed at home, the number of active users of such platforms declined when daily work and business activities were back to normal. Moreover, the insufficient supply of film in cinemas also indirectly affected the supply of content on video platforms.

BUSINESS REVIEW

For the six months ended 30 June 2020, the Group recorded revenue of RMB31.2 million from its principal business (first half of 2019: RMB16.9 million). The gross profit was RMB4.5 million (first half of 2019: RMB3.1 million). During the period, the Group effectively kept the costs of the principal businesses under control and the gross profit margin reached 14.4%. The net loss after taxation was reduced to approximately RMB18.0 million (first half of 2019: RMB41.9 million).

Newspaper Advertising

With the competition from new media and the Internet, the business environment for the print media market remained challenging. The daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory, resulting in a decrease in the newspaper advertising revenue to RMB1.6 million for the first half of 2020 (first half of 2019: RMB1.7 million).

Marketing and Consulting Services and Printing Services

Customers of the Group's marketing and consulting services are principally property developers. In the first half of 2020, the sentiment of property market in many cities of China was hit by the COVID-19 epidemic but the Group's revenue from marketing and consulting services still managed to increase as compared to the corresponding period last year, principally due to the contribution of an exclusive marketing and promotion services project secured by the Group from a property development project in China.

During the six months ended 30 June 2020, the Group's revenue from marketing and consulting services and printing services was approximately RMB18.1 million (the first half of 2019: RMB13.8 million), while the gross profit margin was 15.4% (the first half of 2019: 11.4%).

Sales of Agricultural Products

During the six months ended 30 June 2020, the Group's revenue from sales of agricultural products was approximately RMB10.5 million (the first half of 2019: Nil), while the gross profit margin was 13.5%. The sales of agricultural products of the Group focus on ornamental plants, which demonstrate a clear seasonal pattern with higher sales in the second half of year. In particular, the Company notices that the demand of ornamental plants supplied by the Group peaked towards the end of calendar year, well in advance of lunar new year.

Internet and other services

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

Tourism and Integrated Developments Segment

In line with the national policy of distinctive town construction, development and investment with an aim to promoting China regional development and rural revitalisation, the Group entered into a framework agreement with the government of Yongtai County of Fuzhou to undertake the project of "Yongtai Kungfu Distinctive Town" with a theme of film and cultural entertainment. The first phase of the project has completed most of its construction works and features a 60-Chinese mu eco-friendly greenhouse farm and ecologic forests with a total area of over 10,000 Chinese mu. The Group intends to develop this part of the project 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, in 2019, the Company 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 planting agricultural products, and the Company will be responsible for sourcing seeds, soil, fertilizers, auxiliary materials and other productive materials. Moreover, the Company will provide all-round technical guidance and latest industrial information to cultivators under the cooperation. The Company will procure the agricultural products produced by cultivators and sell them through various marketing channels. In 2019, the Company established an O2O website, mobile APP and WeChat Mini Programs to promote online and offline sales of these agricultural products. In the first half of 2020, the Group's revenue from the sales of agricultural products was approximately RMB10.5 million, with a gross profit margin of 13.5%.

FINANCIAL REVIEW

Revenue

The total revenue of the Group increased by 84.6% from RMB16.9 million for the six months ended 30 June 2019 to RMB31.2 million for the six months ended 30 June 2020, principally due to the increased revenue from the sales of agricultural products and the marketing and consulting services. Revenue from the sales of agricultural products for the six months ended 30 June 2020 was RMB10.5 million (the first half of 2019: Nil). The revenue from marketing and consulting services increased from RMB11.6 million for the six months ended 30 June 2019 to RMB16.0 million for the six months ended 30 June 2020.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB4.5 million for the six months ended 30 June 2020, compared to RMB3.1 million for the six months ended 30 June 2019. The gross profit margin decreased from 18.3% for the six months ended 30 June 2019 to 14.4% for the six months ended 30 June 2020, which was primarily attributable to the lower gross profit from sales of agricultural products.

Other income

Other income increased from RMB0.4 million for the six months ended 30 June 2019 to RMB2.4 million for the six months ended 30 June 2020, primarily due to increase in government grants.

Other loss

The Group recorded other gain of RMB0.3 million for the six months ended 30 June 2020 and other loss of RMB0.2 million for the six months ended 30 June 2019 which is attributable to fair value change on financial assets at fair value through profit or loss.

Selling and marketing expenses

Selling and marketing expenses increased by 214.3% from RMB0.7 million for the six months ended 30 June 2019 to RMB2.2 million for the six months ended 30 June 2020 mainly due to increased selling and marketing expenses of sales of agricultural products.

General and administrative expenses

General and administrative expenses decreased by 42.0% from RMB27.6 million for the six months ended 30 June 2019 to RMB16.0 million for the six months ended 30 June 2020, mainly due to the decrease in staff costs and other administrative costs.

Finance costs – net

Net finance costs incurred for the six months ended 30 June 2020 was RMB8.6 million, representing a decrease of 50.3% as compared to RMB17.3 million for the six months ended 30 June 2019, mainly attributable to the lower interest expense of convertible bonds in the current period as compared to promissory notes and the loans from a related party for part of the comparative period, and the non-recurrence of the loss on early redemption of promissory notes in the comparative period and over provision in prior years.

Income tax credit

Income tax credit increased from RMB0.6 million for the six months ended 30 June 2019 to income tax credit RMB1.7 million for the six months ended 30 June 2020, mainly due to the increased deferred income tax credit and over provision in prior years.

Results for the period

The Group recorded a net loss of RMB18.0 million for the six months ended 30 June 2020 mainly attributable to the savings on finance costs, staff costs and directors' emoluments.

Liquidity and capital resources

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(3,422)**	(19,975)
Net cash used in investing activities	**(120)**	(34,144)
Net cash generated from financing activities	**2,185**	29,444
Net decrease in cash and cash equivalents	**(1,357)**	(24,675)
Cash and cash equivalents at beginning of the period	**9,753**	33,880
Exchange loss on cash and cash equivalents	**–**	(233)
Cash and cash equivalents at end of the period	**8,396**	8,972

Cash flow used in operating activities

For the six months ended 30 June 2020, net cash used in operating activities amounted to RMB3.4 million, which is primarily attributable to the net loss for the period amounting to RMB20.9 million and partly offset by non-cash items such as depreciation and amortisation of RMB5.0 million and finance costs of RMB8.7 million.

Cash flow used in investing activities

For the six months ended 30 June 2020, net cash used in investing activities amounted to RMB0.1 million, resulting from the purchases of property, plant and equipment of RMB0.1 million.

Cash flow generated from financing activities

For the six months ended 30 June 2020, net cash generated from financing activities amounted to RMB2.2 million, resulting primarily from the net cash proceeds from the bank borrowings in the amount of RMB5.9 million and partly offset by the repayment of bank borrowings in the amount of RMB2.6 million.

Capital expenditures

During the six months ended 30 June 2020 and 2019, the Group incurred capital expenditures mainly for construction costs related to property, plant and equipment, purchase of leasehold improvements and the purchase of office equipment. The Group's capital expenditures were RMB0.1 million and RMB14.7 million for the six months ended 30 June 2020 and 30 June 2019, respectively.

Trade receivables – net

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

	As at 30 June 2020 *RMB'000* **Unaudited**	As at 31 December 2019 *RMB'000* Audited
Aging analysis of trade receivables		
1 – 30 days	**1,195**	8,486
31 – 60 days	**452**	112
61 – 90 days	**1,840**	84
91– 180 days	**4,901**	118
181 – 365 days	**1,218**	1,068
Over 1 year	**4,594**	2,856
	14,200	12,724
Less: provision for impairment of trade receivables	**(5,729)**	(3,163)
Trade receivables – net	**8,471**	9,561

The Group's trade receivables decreased by 11.5%, from RMB9.6 million as at 31 December 2019 to RMB8.5 million as at 30 June 2020. Such decrease was mainly attributable to the increase of provision for impairment of trade receivables during the period.

Properties held for sale

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
Properties held for sale	**24,255**	25,386

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

Trade payables

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	**702**	4,031
31 – 90 days	**1,482**	390
Over 90 days	**7,096**	3,685
	9,280	8,106

The Group's trade payables increased by 14.8%, from RMB8.1 million as at 31 December 2019 to RMB9.3 million as at 30 June 2020.

Indebtedness

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

(a) 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 by a wholly owned subsidiary, Xiamen Information Group Ltd., for acquiring the properties. The mortgage loans are secured by the ownership rights of the properties and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management member and the spouse of a key management member of a subsidiary of the Group. As at 30 June 2020, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest of 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the period is 7.1% per annum.

(b) On 23 April 2019, the 3% per annum convertible bonds in the principal amount of RMB215,750,000 were issued by the Company to the Subscriber, a company wholly-owned by Mr. Chen Zhi, an Executive Director and a shareholder of the Company. The convertible bond has a term of 3 years. The effective interest rate for the period is 11.5% per annum. As at 30 June 2020, the outstanding principal amount of the convertible bond was approximately RMB177,309,000.

(c) During the six months ended 30 June 2020, the Group obtained a revolving bank borrowing amounted to RMB5,900,000. The revolving bank borrowing was drawn on 17 April 2020. The balance is secured by the ownership right of the Group's properties, carries an interest rate at 4.0% per annum with a term of 1 year. The balance is denominated in RMB.

Gearing ratio, being proportion of the Group's total borrowings to total assets, increase by 2.9% to 39.3% as at 30 June 2020 (31 December 2019: 36.4%).

The Group is in negotiation with a bank to obtain a RMB15 million borrowing facilities to fund the Group's working capital needs. Such borrowing facility is expected to be secured by the Group's properties with carrying amount of approximately RMB23,790,000 as at 30 June 2020. Based on the communication with the Bank, the Directors are confident that such borrowing facilities will be approved by the bank in the second half of 2020.

Commitments

(a) Operating lease commitments – as a lessor

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

	As at 30 June 2020	As at 31 December 2019
	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	**3,000**	4,000
	5,000	6,000

(b) Capital commitments

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	Unaudited	Audited
Property, plant and equipment	**4,266**	**4,266**

Contingent liabilities

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

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

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

Human resources

As at 30 June 2020, the Group had 281 full-time employees (31 December 2019: 257). Total staff costs including directors' remuneration for the six months ended 30 June 2020 was approximately RMB14.0 million (for the six months ended 30 June 2019: approximately RMB23.4 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees. The compensation of the Directors is evaluated by the Remuneration Committee of the Company, which makes recommendations to the Board. In addition, the Remuneration Committee conducts regular reviews of Directors' and senior management's performance, and determines the compensation structure of the Group's senior management.

PROSPECTS

Since 2020, the global economic growth has slowed down due to the epidemic, escalating international trade tension and intensifying uncertainties. As the domestic epidemic prevention and control became stable, China's various policies to support the resumption of work and production appear to be effective, resulting in signs of economic recovery and positive market expectations overall. It is believed that the continuous economic reform, expansion of domestic demand and transformation of economic structure will continue to drive China's economic growth.

With the gradual improvement of the epidemic prevention and control, cinemas in low-risk regions in China began to resume operations in an orderly manner since July 2020. The promulgation of cinema support policies, coupled with the strong public demand for offline movie watching, have accelerated the recovery of China's film industry. Overall, Chinese consumers' rising demand for cultural entertainment will support the long-term growth of film industry. At the same time, the impact of the epidemic further highlights the utmost importance of content in the film industry. It is believed that China's film industry will become more quality-oriented in the post-epidemic era whereas the movie quality shall become a pivotal factor for appreciating the value of China's film market.

In addition, viewers' strong demand for online movies during the epidemic has brought about significant increase in broadcast volume of webcast and online TV dramas, which has continued to promote the transformation and upgrade of the film and television culture industry. The Group will continue to identify small and medium-sized development and investment opportunities by leveraging its abundant experience in advertising, marketing and media industry in China and seizing the opportunities in the domestic film industry through proactively rolling out quality productions in due course.

To support the "13th Five-Year Plan" of the state as well as 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 regions, 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 all along been seeking locations with unique environmental elements for developing integrated projects focusing on industry positioning, cultural heritage, tourism features, eco-agriculture, entertainment and community functions such as health and wellness, so as to form synergies with the existing businesses.

In the past, the Company acquired the Fangshan Project and participated in the Yongtai Kungfu Distinctive Town project. Leveraging the Group's extensive 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, so as to provide high precision marketing service platform. At the same time, the Group has launched a smart mobile APP that adopts blockchain technology and delivers information, e-commerce, advertising and consultancy services. We believe this APP will help us grasping market opportunities.

As disclosed in the section headed "Subsequent Events" below, in July and August 2020, the Group entered into an acquisition and a joint venture, both relating to new media business. These new projects are hoped to form synergy and all value to the Group's existing businesses, and to broaden the Group's income stream in the long run.

Going forward, the Group will continue to develop its existing businesses of advertising, marketing and consulting, and agricultural products. Leveraging the Group's track records and experience in advertising, marketing and integrated project development, the Group will continue to strive to identify suitable industry partners and investment or cooperation projects to capture business opportunities which form synergy with our existing businesses, as well as the transformation and upgrade that combine the strength of online and offline activities in the new media era.

COVID-19 OUTBREAK

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 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 situation in respect of the COVID-19 outbreak continues and impacts are prolonged, the Group's operation performance and cash flow may be negatively affected.

SUBSEQUENT EVENTS

The Company issued 151,519,806 shares at HK$0.101 each on 10 July 2020 (representing 16.7% the total enlarged ordinary share capital issued) to two subscribers. Net proceeds from the share issuance amounted to HK$15,150,000 (approximately RMB13,811,000).

On 31 July 2020, Fuzhou DingCe Culture Communication Co., Ltd. ("**Fuzhou DingCe**", a wholly-owned subsidiary of the Company) and Fujian Huaping Electronics Technology Development Co., Ltd. (the "**Fujian Huaping**") entered into the Acquisition Agreement, pursuant to which Fujian Huaping conditionally agreed to sell, and Fuzhou DingCe conditionally agreed to purchase, the 100% equity in Fuzhou Mobile Media Co., Ltd. (the "**Target Company**") for the cash consideration of RMB13,960,000 (equivalent to approximately HK$15,490,000). The Target Company owns and operates: (a) an advertising business based on approximately 5,500 video broadcasting screens installed on approximately 3,000 public transport vehicles, covering the majority of commercial and residential areas of Fuzhou city and connecting to its sub-urban areas; and (b) its own video and new media production team and studio. The Acquisition constitutes a discloseable transaction for the Company. Completion has taken place on 31 July 2020.

On 6 August 2020, Graceful Universe Holdings Limited ("**GU Holdings**", a wholly-owned subsidiary of the Group) entered into the JV Agreement with Versatile Technologies Co., Ltd. ("**Versatile Technologies**") in relation to the joint investment in the JV Company for the purpose of engaging in a new media project in China (the "**New Media Project**") which involves: (a) the installation of hi-resolution interactive display panels at selected indoor locations through cooperation with automobile 4S shops, gas and EV charging stations and driving schools; (b) the development of a mobile management platform to manage the purchase of advertising airtime; and (c) the development of an e-commerce platform for consumer products using the project's distribution and marketing channels. Pursuant to the JV Agreement, the JV Company shall have a registered capital of RMB12 million (HK$13.3 million) which shall be contributed as to 51% or RMB6.12 million (HK6.8 million) by GU Holdings and 49% or RMB5.88 million (HK$6.53 million) by Versatile Technologies. The entering into of the JV Agreement constitutes a discloseable transaction for the Company.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CORPORATE GOVERNANCE CODE

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

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

CODE PROVISION 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. During the period under review, Mr. Chen Zhi is the chairman and the CEO of the Company, which deviates from code provision A.2.1. However, 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 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 Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made to all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2020 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules with written term of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee currently consists of three independent non-executive directors of the Company, namely Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren and Mr. Cai Jian Quan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2020. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2020.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2020 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

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

Hong Kong, 28 August 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.