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**SHIFANG HOLDING LIMITED**

**十方控股有限公司**

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

**(Stock code: 1831)**

## **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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 2021 together with the comparative figures for the corresponding period in 2020.

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 2021

	<i>Note</i>	<b>30 June 2021 RMB'000 Unaudited</b>	31 December 2020 RMB'000 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	41,647	51,058
Investment properties		26,681	26,681
Right-of-use assets		3,203	5,211
Intangible assets	4	41,844	201,807
Prepayments, deposits and other receivables	5	73,625	80,544
		<u>187,000</u>	<u>365,302</u>
<b>Current assets</b>			
Biological assets		–	211
Inventories		894	894
Properties held for sale		22,793	24,255
Financial assets at fair value through profit or loss		6,980	6,564
Trade receivables – net	6	5,570	5,461
Contract assets – net		1,759	3,520
Prepayments, deposits and other receivables	5	14,257	11,513
Amounts due from related parties		1,202	1,273
Restricted cash		1,114	1,363
Cash and cash equivalents		7,768	12,889
		<u>62,337</u>	<u>67,943</u>
<b>Total assets</b>		<u><b>249,337</b></u>	<u><b>433,245</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital		7,769	7,769
Share premium		48,820	48,820
Other reserves		195,632	191,363
Accumulated deficits		<u>(350,308)</u>	<u>(193,721)</u>
		<b>(98,087)</b>	54,230
Non-controlling interests		<u>6,106</u>	<u>7,502</u>
<b>Total (deficit)/equity</b>		<u><b>(91,981)</b></u>	<u><b>61,732</b></u>

		<b>30 June</b>	31 December
		<b>2021</b>	2020
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	Audited
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		<b>4,547</b>	5,177
Other payables	8	<b>52,000</b>	52,000
Deferred income tax liabilities		<b>2,116</b>	45,516
Convertible bonds	7	<b>–</b>	168,148
		<b>58,663</b>	270,842
<b>Current liabilities</b>			
Trade payables	8	<b>10,649</b>	11,781
Other payables and accrued expenses	8	<b>54,042</b>	48,346
Convertible bonds	7	<b>177,201</b>	–
Financial guarantees		<b>1,169</b>	1,110
Lease liabilities		<b>2,226</b>	2,438
Borrowings	9	<b>16,745</b>	17,860
Current income tax liabilities		<b>5,884</b>	5,830
Amount due to related parties		<b>14,739</b>	13,306
		<b>282,655</b>	100,671
<b>Total liabilities</b>		<b>341,318</b>	371,513
<b>Total equity and liabilities</b>		<b>249,337</b>	433,245

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*FOR THE SIX MONTHS ENDED 30 JUNE 2021*

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
		<b>Unaudited</b>	Unaudited
<b>Revenue</b>	<i>2</i>	<b>85,591</b>	31,217
Cost of sales	<i>11</i>	<u><b>(80,194)</b></u>	<u>(26,728)</u>
<b>Gross profit</b>		<b>5,397</b>	4,489
Selling and marketing expenses	<i>11</i>	<b>(5,496)</b>	(2,191)
General and administrative expenses	<i>11</i>	<b>(24,214)</b>	(16,043)
Provision for impairment on intangible assets		<b>(157,226)</b>	–
Provision for impairment on property, plant and equipment		<b>(8,818)</b>	–
Provision for impairment on right-of-use assets		<b>(1,575)</b>	–
Other income	<i>10</i>	<b>54</b>	2,417
Other gains – net	<i>10</i>	<u><b>416</b></u>	<u>321</u>
<b>Operating loss</b>		<b>(191,462)</b>	(11,007)
Finance income	<i>12</i>	<b>18</b>	37
Finance costs	<i>12</i>	<u><b>(9,736)</b></u>	<u>(8,679)</u>
Finance costs – net	<i>12</i>	<u><b>(9,718)</b></u>	<u>(8,642)</u>
<b>Loss before income tax</b>		<b>(201,180)</b>	(19,649)
Income tax credit	<i>13</i>	<u><b>43,198</b></u>	<u>1,690</u>
Loss for the period		<u><b>(157,982)</b></u>	<u>(17,959)</u>

		<b>Six months ended 30 June</b>	
		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	<b>Unaudited</b>
<b>Loss attributable to:</b>			
– Owners of the Company		<b>(156,586)</b>	(17,763)
– Non-controlling interests		<b>(1,396)</b>	(196)
		<u><b>(157,982)</b></u>	<u>(17,959)</u>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		<u><b>4,269</b></u>	<u>(1,362)</u>
Other comprehensive income/(loss) for the period		<u><b>4,269</b></u>	<u>(1,362)</u>
Total comprehensive loss for the period		<u><b>(153,713)</b></u>	<u>(19,321)</u>
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		<b>(152,317)</b>	(19,125)
– Non-controlling interests		<b>(1,396)</b>	(196)
		<u><b>(153,713)</b></u>	<u>(19,321)</u>
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	<i>14</i>	<b>(0.1722)</b>	(0.0234)
– Diluted (RMB per share)	<i>14</i>	<b>(0.1722)</b>	(0.0234)

# 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 changed its domicile 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, Uglund 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 2021 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 31 August 2021.

## 1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

During the six months ended 30 June 2021, the Group reported a net loss of RMB157,982,000 and had a net cash outflow from operating activities of RMB7,538,000. As at 30 June 2021, the Group’s current liabilities exceeds its current assets by RMB220,318,000 while it had cash and cash equivalents of approximately RMB7,768,000.

The Coronavirus Disease 2019 (“COVID-19”) outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in Mainland China temporarily disrupted the operations of the Group’s various business and in particular the progress of the Group’s tourism and integrated development has been delayed. Management expects that the China’s government would launch additional proactive economic and monetary policies to stimulate its economic cycle.

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 condensed consolidated interim financial information for the period ended 30 June 2021. In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

- (i) On 1 August 2021, the Group has successfully obtained a borrowing facility of RMB20,000,000 from its shareholder and RMB1,500,000 has been drawn on 16 August 2021. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5%. In addition, the major shareholder has issued a letter of financial support to the Company for a period of twelve months from the approval date of these condensed consolidated interim financial information to provide financial support and not to demand for repayment for the convertible bond with principal amount of HK\$205,456,000 (equivalent to RMB177,309,000) (i.e. face value) held by a company controlled by the major shareholder within the next twelve months from 31 August 2021 to enable the Group to meet liabilities as they fall due and carry on business without a significant curtailment of operations;
- (ii) Based on the communication with the bank, the directors are confident that the Group would be able to renew the bank borrowing of RMB9,000,000 when its current term expires given the bank borrowing is secured by the Group's investment properties with a carrying value of approximately RMB26,681,000;
- (iii) The Group is closely monitoring the impact of the COVID-19 pandemic on the Group's operation and particularly on the progress of the Group's tourism project in Yongtai County. Despite there were certain delays in the preparation work, the Group anticipates the project will be ready for commercial operation by the revised planned time. The Directors are confident that the Group would be able to commence the commercial operations of the tourism project in Yongtai County in the last quarter of 2021 and starts to generate income and operating cash inflows to the Group;
- (iv) The Group is in negotiation with certain potential investors to issue new shares of the Company to raise fund to finance the Group's working capital and capital investment for one of the Group's tourism and integrated development projects;
- (v) The Group will continue its efforts to implement measures to strengthen its operating cash flows and working capital position, including expediting collection of outstanding trade receivables, expediting the sales of properties-held-for-sale and deferring discretionary 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 condensed consolidated interim financial information 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 in obtaining financial support from the major shareholder as and when required;
- (ii) Successful in renewing the loan facility of RMB9,000,000 when its current term expires in September 2021;
- (iii) Implementation of measures to address the disruptions caused by the COVID-19 pandemic successfully and to complete the preparation work and commence the commercial operation of the projects of the Group's tourism and integrated development projects as planned as well as the successful implementation of business plan for these projects to improve the Group's operating results and generate cash inflow;
- (iv) Successful in raising funds through placement of the Company's shares to finance the Group's working capital and capital investment;
- (v) Implementation of measures to control operating costs, expedite collection from customers effectively and generate sufficient cash inflows from the sales of property held for sale to improve the Group's cash flow position as well as defer discretionary capital expenditures; and
- (vi) 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 condensed consolidated interim financial information.

### **1.3 Accounting policies**

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2020, 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 2021 and entities will need to consider whether any of these could affect their existing accounting policies for their 2021 interim reports:

- Amendment to IFRS 16 – COVID-19-related Rental Concession
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform

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 2020.

#### **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 2021, 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 newspaper and public vehicles 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 the 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 2021.

	Tourism and integrated developments <i>RMB'000</i> Unaudited	Publishing and advertising <i>RMB'000</i> Unaudited	Total <i>RMB'000</i> Unaudited
Segment revenue from external customers	28,862	56,729	85,591
Timing of revenue recognition for revenue			
At a point in time	28,756	56,407	85,163
Over time	106	121	227
Under IFRS 16	–	201	201
Segment results	(167,231)	(24,701)	(191,932)
Other income			54
Other gains – net			416
Finance costs – net			(9,718)
<b>Loss before income tax</b>			(201,180)
Income tax credit			43,198
<b>Loss for the period</b>			<b>(157,982)</b>

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 <i>RMB'000</i> Unaudited	Publishing and advertising <i>RMB'000</i> Unaudited	Total <i>RMB'000</i> 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 gains – net			321
Finance costs – net			<u>(8,642)</u>
<b>Loss before income tax</b>			(19,649)
Income tax credit			<u>1,690</u>
<b>Loss for the period</b>			<u><u>(17,959)</u></u>

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 advertising services to advertisers in the PRC, the provision of marketing and consulting services, and printing services and sales of agricultural products. An analysis of the revenue by category is as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
Newspaper and public vehicles advertising services	<b>5,163</b>	1,612
Marketing and consulting services	<b>49,626</b>	16,036
Sales of agricultural products	<b>28,035</b>	10,452
Printing services	<b>2,145</b>	2,071
Others	<b>622</b>	1,046
	<b>85,591</b>	31,217

### 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 plant RMB'000	Immature bearer plant RMB'000	Total RMB'000
<b>At 1 January 2021</b>										
Cost	17,638	16,434	10,710	32,123	24,003	7,132	4,293	5,585	10,048	127,966
Accumulated depreciation	(1,680)	-	(5,576)	(28,591)	(20,614)	(6,288)	(1,861)	(412)	-	(65,022)
Accumulated impairment losses	(5,309)	(836)	(969)	(3,532)	(966)	(274)	-	-	-	(11,886)
Net carrying amount	<b>10,649</b>	<b>15,598</b>	<b>4,165</b>	<b>-</b>	<b>2,423</b>	<b>570</b>	<b>2,432</b>	<b>5,173</b>	<b>10,048</b>	<b>51,058</b>
<b>Six months ended 30 June 2021</b>										
Opening net carrying amount	10,649	15,598	4,165	-	2,423	570	2,432	5,173	10,048	51,058
Additions	-	1,398	-	-	130	-	-	-	-	1,528
Disposals	-	-	-	-	(14)	(6)	-	-	-	(20)
Depreciation (Note 11)	(388)	-	(656)	-	(265)	(233)	(429)	(137)	-	(2,108)
Impairment	(3,216)	(5,602)	-	-	-	-	-	-	-	(8,818)
Currency translation differences	-	-	-	-	-	7	-	-	-	7
Closing net carrying amount	<b>7,045</b>	<b>11,394</b>	<b>3,509</b>	<b>-</b>	<b>2,274</b>	<b>338</b>	<b>2,003</b>	<b>5,036</b>	<b>10,048</b>	<b>41,647</b>
<b>At 30 June 2021</b>										
Cost	17,638	17,832	10,699	32,123	23,699	7,119	4,293	5,585	10,048	129,036
Accumulated depreciation	(2,068)	-	(6,221)	(28,591)	(20,458)	(6,508)	(2,290)	(549)	-	(66,685)
Accumulated impairment losses	(8,525)	(6,438)	(969)	(3,532)	(967)	(273)	-	-	-	(20,704)
Net carrying amount	<b>7,045</b>	<b>11,394</b>	<b>3,509</b>	<b>-</b>	<b>2,274</b>	<b>338</b>	<b>2,003</b>	<b>5,036</b>	<b>10,048</b>	<b>41,647</b>

## 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	Exclusive operating right RMB'000	Total RMB'000
<b>At 1 January 2021</b>										
Cost	3,146	11,500	89,839	14,500	9,400	8,476	193,439	28,000	5,582	363,882
Accumulated amortisation	(2,680)	(11,500)	-	(14,500)	(7,135)	(8,476)	(12,685)	(1,883)	(362)	(59,221)
Accumulated impairment losses	(411)	-	(78,631)	-	(2,265)	-	(21,546)	-	-	(102,853)
Net carrying amount	<u>55</u>	<u>-</u>	<u>11,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>159,208</u>	<u>26,117</u>	<u>5,220</u>	<u>201,808</u>
<b>Six months ended 30 June 2021</b>										
Opening net carrying amount	55	-	11,208	-	-	-	159,208	26,117	5,220	201,808
Additions	35	-	-	-	-	-	-	-	-	35
Amortisation (Note 11)	(3)	-	-	-	-	-	(1,982)	(353)	(435)	(2,773)
Impairment (Note (i))	-	-	-	-	-	-	(157,226)	-	-	(157,226)
Closing net carrying amount	<u>87</u>	<u>-</u>	<u>11,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,764</u>	<u>4,785</u>	<u>41,844</u>
<b>At 30 June 2021</b>										
Cost	3,181	11,500	89,839	14,500	9,400	8,476	193,439	28,000	5,582	363,917
Accumulated amortisation	(2,683)	(11,500)	-	(14,500)	(7,135)	(8,476)	(14,667)	(2,236)	(797)	(61,994)
Accumulated impairment losses	(411)	-	(78,631)	-	(2,265)	-	(178,772)	-	-	(260,079)
Net carrying amount	<u>87</u>	<u>-</u>	<u>11,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,764</u>	<u>4,785</u>	<u>41,844</u>

### Note:

- (i) Beijing Fanxing Travel Co., Ltd. (“Beijing Fanxing”), a wholly owned subsidiary of the Group, has entered into a lease agreement with the landlord, the land owner of the project site for the Beijing Shihua Caves Niaoyulin Project. The landlord filed a claim against Beijing Fanxing claiming that Beijing Fanxing failed to fulfil its responsibilities under the strategic cooperative agreement and seeking to rescind the strategic cooperative agreement and the lease agreement entered into between Beijing Fanxing and the landlord. During the six months ended 30 June 2021, the Group has received the judgement from the court that it was required to rescind the lease agreement. Management has taken into consideration the outcome of the litigation and hence, made an impairment charge of RMB8,818,000, RMB1,575,000 and RMB157,226,000 against the property plant and equipment, right-of-use assets and intangible assets respectively during the six months ended 30 June 2021.

**5 Prepayments, deposits and other receivables**

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
<u>Non-current portion</u>		
Prepayment for township development ( <i>Note (i)</i> )	<b>16,100</b>	17,000
Prepayment for property, plant and equipment	<b>4,685</b>	9,991
Other prepayment	–	1,403
Deposits for marketing and promotion contracts ( <i>Note (ii)</i> )	<b>52,000</b>	52,000
Other deposits	<b>840</b>	150
	<u><b>73,625</b></u>	<u>80,544</u>
<u>Current portion</u>		
Prepayments	<b>6,220</b>	3,866
Rental deposit	<b>907</b>	917
Deposits and other receivables	<b>7,130</b>	6,730
	<u><b>14,257</b></u>	<u>11,513</u>

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

	<b>As at 30 June 2021 <i>RMB'000</i> Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
RMB	<b>87,475</b>	91,639
HK\$	<b>407</b>	418
	<b>87,882</b>	92,057

*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 and RMB900,000 had been refunded by the Government during the six months ended 30 June 2021.

As at 30 June 2021 and 31 December 2020, the remaining amount of RMB16,100,000 (2020: 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 2021, 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**

	<b>As at 30 June 2021 RMB'000 Unaudited</b>	<b>As at 31 December 2020 RMB'000 Audited</b>
Trade receivables	<b>15,332</b>	14,759
<i>Less: provision for impairment of trade receivables</i>	<u><b>(9,762)</b></u>	<u>(9,298)</u>
Trade receivables – net	<u><b>5,570</b></u>	<u>5,461</u>

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:

	<b>As at 30 June 2021 RMB'000 Unaudited</b>	<b>As at 31 December 2020 RMB'000 Audited</b>
1 – 30 days	2,112	3,160
31 – 60 days	500	493
61 – 90 days	673	256
91 – 180 days	1,362	917
181 – 365 days	1,615	3,731
Over 1 year	9,070	6,202
	<u>15,332</u>	<u>14,759</u>
<i>Less: provision for impairment of trade receivables</i>	<u>(9,762)</u>	<u>(9,298)</u>
Trade receivables – net	<u><u>5,570</u></u>	<u><u>5,461</u></u>

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:

	<b>Six months ended 30 June 2021 RMB'000 Unaudited</b>	<b>Six months ended 30 June 2020 RMB'000 Unaudited</b>
At 1 January	9,298	3,163
Provision for impairment of trade receivables ( <i>Note 11</i> )	464	6,135
At 30 June	<u><u>9,762</u></u>	<u><u>9,298</u></u>

## 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.

As at 30 June 2021, the Convertible Bonds were due within one year and classified as current liability. On 31 August 2021, Mr. Chen Zhi has issued a letter of support to the Group that he will not demand the Group for repayment for the Convertible Bonds with principal amount of HK\$205,456,000 (equivalent to RMB177,309,000) (i.e. face value) within the next twelve months from 31 August 2021.

The Convertible Bonds are presented as follows:

	<b>Six months ended 30 June 2021 RMB'000 Unaudited</b>	Six months ended 30 June 2020 RMB'000 Unaudited
At 1 January	<b>168,148</b>	150,669
Interest accrued ( <i>Note (a)</i> )	<b>9,053</b>	8,277
At 30 June	<b><u>177,201</u></b>	<b><u>158,946</u></b>

*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 2021 <i>RMB'000</i> Unaudited	As at 31 December 2020 <i>RMB'000</i> Audited
Trade payables	10,649	11,781
Other payables and accrued expenses:		
Accrued utility expenses and other liabilities	7,975	8,493
Accrued salaries and welfare	14,041	12,303
Value added tax and other taxes payable	1,100	1,301
Other payables	67,228	67,060
Deposits from customers	1,084	1,448
Contract liabilities	14,614	9,741
	106,042	100,346
<i>Less: Non-current portion</i>		
Other payables	(52,000)	(52,000)
	54,042	48,346
	<u>64,691</u>	<u>60,127</u>

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 <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
1 – 30 days	1,008	2,593
31 – 90 days	829	909
Over 90 days	<u>8,812</u>	<u>8,279</u>
	<u><b>10,649</b></u>	<u><b>11,781</b></u>

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

## 9 Borrowings

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
Secured bank borrowings – current ( <i>Note (i)</i> )	16,145	17,410
Unsecured bank borrowings – current ( <i>Note (ii)</i> )	<u>600</u>	<u>450</u>
	<u><b>16,745</b></u>	<u><b>17,860</b></u>

*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:

	<b>As at 30 June 2021 RMB'000 Unaudited</b>	<b>As at 31 December 2020 RMB'000 Audited</b>
Within 1 year	<b>16,145</b>	17,229
Between 1 and 2 years	<u>–</u>	<u>181</u>
	<b><u>16,145</u></b>	<b><u>17,410</u></b>

As at 30 June 2021, the Group's bank borrowings 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 Group's bank borrowing of RMB10,245,000 are secured by the ownership rights of the properties and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group.

*Note (ii):*

As at 30 June 2021, the balance is unsecured, carries an interest rate at 4.5% per annum with a term of 1 year, and is repayable on demand. The balance is denominated in RMB.

**10 Other income and other gains – net**

	<b>Six months ended 30 June 2021 <i>RMB'000</i> Unaudited</b>	Six months ended 30 June 2020 <i>RMB'000</i> Unaudited
<b>Other income:</b>		
Government grants	<b>6</b>	2,287
Sundry Income	<b>48</b>	130
	<b>54</b>	2,417
<b>Other gains:</b>		
Fair value gain on financial assets at fair value through profit or loss	<b>416</b>	321

## 11 Expenses by nature

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

	<b>Six months ended 30 June 2021 RMB'000 Unaudited</b>	Six months ended 30 June 2020 RMB'000 Unaudited
Cost of newspaper and public vehicles advertising		
– Media costs	3,252	812
Cost of printing services:		
– Raw material	832	844
– Other costs	190	202
Cost of sales of agricultural products	25,903	9,042
Cost of marketing services:		
– Subcontracting charges	44,978	8,560
Depreciation of property, plant and equipment ( <i>Note 3</i> )	2,108	2,218
Depreciation of right-of-use assets	433	512
Amortisation ( <i>Note 4</i> )	2,773	2,733
Auditor's remuneration	667	759
Marketing expenses	4,497	1,799
Short term lease expenses	407	2
Net provision for impairment of trade receivables ( <i>Note 6</i> )	464	2,566
Net (reversal of)/provision for impairment of contract assets	(39)	193
Loss on disposal of property, plant and equipment	3	–
Loss on disposal of right-of-use asset	–	151
Gain on disposal of properties held for sale	(49)	(203)
Net foreign exchange loss/(gain)	4,509	(1,354)
Employee benefit expenses (including directors' emoluments)	<b>14,656</b>	<b>14,032</b>



## 12 Finance costs – net

	<b>Six months ended 30 June 2021 RMB'000 Unaudited</b>	Six months ended 30 June 2020 RMB'000 Unaudited
Finance income:		
– Interest income on short-term bank deposits	18	37
Finance costs:		
– Interest expense on convertible bonds	(9,053)	(8,277)
– Interest expense on lease liabilities	(160)	(255)
– Interest expense on short term borrowings	(523)	(147)
Total finance costs	(9,836)	(8,679)
Finance costs – net	(9,718)	(8,642)

## 13 Income tax credit

	<b>Six months ended 30 June 2021 RMB'000 Unaudited</b>	Six months ended 30 June 2020 RMB'000 Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	(203)	(7)
– Overprovision in prior years	–	1,021
Deferred income tax	43,401	676
	43,198	1,690

## 14 Loss per share

### (a) *Basic*

Basic loss per share for the periods ended 30 June 2021 and 2020 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.

	<b>Six months ended 30 June 2021 Unaudited</b>	Six months ended 30 June 2020 Unaudited
Loss attributable to owners of the Company ( <i>RMB'000</i> )	<u>(156,586)</u>	<u>(17,763)</u>
Weighted average number of shares in issue, including bonus element (thousands)	<u>909,119</u>	<u>757,599</u>
Basic loss per share (RMB per share)	<u><u>(0.1722)</u></u>	<u><u>(0.0234)</u></u>

### (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 2021 (2020: 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 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In the first half of 2021 (the “**Review Period**”), with improving global epidemic situation, the world economy gradually recovered but there were signs of significant divergence and imbalance. Among which, with major macroeconomic indicators falling within a reasonable range and economic development showing a steady and positive momentum, the China economy continued to recover steadily. In the first half of 2021, China’s gross domestic product (GDP) reached RMB53,216.7 billion, representing a year on-year increase of 12.7% (in terms of comparable price). From the quarterly perspective, the first quarter increased by 18.3% year-on-year with the two-year average growth at 5.0%; the second quarter increased by 7.9% and the two-year average growth was 5.5%. With the continuous efforts of a series of policies to expand domestic demand and promote consumption, the steady recovery of the consumer market has significantly enhanced its role in driving economic growth.

During the period, the domestic consumer goods market achieved recovery growth, driving the rapid recovery of the advertising market. In June 2021, the domestic advertising market as a whole grew by 20.7% month-on-month, and many advertising channels experienced rebound growth followed its decline. Expenses on television, radio, elevator LCD and elevator poster advertisements continued to rise, representing a year-on-year increase of 0.5%, 4.2%, 48.5% and 28.4% respectively. Expenses on traditional outdoor advertising, newspapers and magazine advertising further reduced. From the industry perspective, advertising expenditures in industries such as pharmaceuticals, cosmetics/bathroom products and household products have increased significantly year-on-year.

In the first half of 2021, the film market in Mainland China continued to lead the world, becoming the single movie market with highest box office. During the period, cinemas fully resumed their pre-epidemic operations and the total box office of the movie market reached RMB27.57 billion. Compared with the first half of 2019, the revenue of box office recovered by 88%, an increase of nearly RMB10 billion when compared to the second half of 2020.

## **BUSINESS REVIEW**

For the six months ended 30 June 2021, the Group recorded revenue of RMB85.6 million from its principal business (first half of 2020: RMB31.2 million). The gross profit was RMB5.4 million (first half of 2020: RMB4.5 million). The gross profit margin decreased from 14.4% in the first half of 2020 to 6.3% in the first half of 2021. The net loss after taxation increased to approximately RMB158.0 million (first half of 2020: RMB18.0 million).

### **Newspapers and Public Vehicles Advertising Services**

During the period, the business environment remained challenging in the print media market as the market continued to be hit by new online media. Together with the intense competition from new media and the Internet, the speed of transformation of the advertising industry has intensified, the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory. The public vehicles advertising mainly generates revenue from TV advertisements on public vehicles. For the six months ended 30 June 2021, newspapers and public vehicles advertising contributed RMB5.2 million (first half of 2020: RMB1.6 million) to the Group's revenue, with a gross profit margin of 37.0%.

### **Marketing and Consulting Services and Printing Services**

For the six months ended 30 June 2021, the Group's revenue from marketing and consulting services was approximately RMB49.6 million, representing a significant increase of 209.5% as compared with the corresponding period in 2020, while the gross profit margin was 1.6%. The revenue from printing services was RMB2.1 million, approximate to that of the corresponding period in 2020, with a gross profit margin of 26.3%.

## **Sales of Agricultural Products**

For the six months ended 30 June 2021, the Group's revenue from sales of agricultural products was approximately RMB28.0 million (first half of 2020: RMB10.5 million), while the gross profit margin was 7.6%. The sales of agricultural products of the Group focus on ornamental plants, which tend to record higher sales in the second half of the year and the sales of which are generally peaked towards the end of the calendar year.

## **Internet and Other Services**

During the period under review, the Internet services segment has yet to contribute any 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 2021, the Group's revenue from the sales of agricultural products was approximately RMB28.0 million, with a gross profit margin of 7.6%.

## **FINANCIAL REVIEW**

### **Revenue**

The total revenue of the Group increased by 174.4% from RMB31.2 million for the six months ended 30 June 2020 to RMB85.6 million for the six months ended 30 June 2021, principally due to the increased revenue from the sales of agricultural products and the marketing and consulting services. The Group's revenue from the sales of agricultural products for the six months ended 30 June 2021 was RMB28.0 million (the first half of 2020: RMB10.5 million). The revenue from marketing and consulting services increased from RMB16.0 million for the six months ended 30 June 2020 to RMB49.6 million for the six months ended 30 June 2021.

### **Gross profit and gross profit margin**

The Group recorded a gross profit of RMB5.4 million for the six months ended 30 June 2021, compared to RMB4.5 million for the six months ended 30 June 2020. The gross profit margin decreased from 14.4% for the six months ended 30 June 2020 to 6.3% for the six months ended 30 June 2021, which was primarily attributable to the lower gross profit margin from sales of agricultural products.

### **Other income**

Other income decreased from RMB2.4 million for the six months ended 30 June 2020 to RMB54,000 for the six months ended 30 June 2021, primarily due to decrease in government grants.

### **Other gains – net**

The Group recorded other gains of RMB0.4 million and RMB0.3 million for the six months ended 30 June 2021 and for the six months ended 30 June 2020 respectively, 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 150% from RMB2.2 million for the six months ended 30 June 2020 to RMB5.5 million for the six months ended 30 June 2021, mainly due to increase in selling and marketing expenses of sales of agricultural products.

## **General and administrative expenses**

General and administrative expenses increased by 51.3% from RMB16.0 million for the six months ended 30 June 2020 to RMB24.2 million for the six months ended 30 June 2021, mainly due to less general and administrative expenses incurred in first half of 2020 due to the COVID-19 outbreak.

## **Finance costs – net**

Net finance costs incurred for the six months ended 30 June 2021 was RMB9.7 million, representing a slight increase of 12.8% as compared to RMB8.6 million for the six months ended 30 June 2020, mainly attributable to the higher interest expense for short-term borrowings in the current period as compared to the comparative period.

## **Income tax credit**

Income tax credit increased from RMB1.7 million for the six months ended 30 June 2020 to income tax credit RMB43.2 million for the six months ended 30 June 2021, mainly due to the reversal of deferred income tax liabilities arising from business combination due to the provision for impairment on intangible assets during the period.

## **Results for the period**

The Group recorded a net loss of RMB158.0 million for the six months ended 30 June 2021, mainly attributable to the provision for impairment on intangible assets, property, plant and equipment and right-of-use assets of RMB157.2 million, RMB8.8 million and RMB1.6 million, respectively.

## Liquidity and capital resources

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited
Net cash used in operating activities	<u>(7,538)</u>	<u>(3,422)</u>
Net cash generated from/(used in) investing activities	<u>4,665</u>	<u>(120)</u>
Net cash (used in)/generated from financing activities	<u>(2,243)</u>	<u>2,185</u>
Net decrease in cash and cash equivalents	(5,116)	(1,357)
Cash and cash equivalents at beginning of the period	12,889	9,753
Exchange loss on cash and cash equivalents	<u>(5)</u>	<u>–</u>
Cash and cash equivalents at end of the period	<u>7,768</u>	<u>8,396</u>

### Cash flow used in operating activities

For the six months ended 30 June 2021, net cash used in operating activities amounted to RMB7.5 million, which is primarily attributable to the net loss for the period amounting to RMB158.0 million and partly offset by non-cash/non-operating items such as provision for impairment on intangible assets, property, plant and equipment and right-of-use assets of RMB157.2 million, RMB8.8 million and RMB1.6 million, respectively, depreciation and amortisation of RMB5.3 million and finance costs of RMB9.6 million.

### Cash flow generated from/(used in) investing activities

For the six months ended 30 June 2021, net cash generated from investing activities amounted to RMB4.7 million, resulting from the return of deposit for township development of RMB6.2 million and partly offset by the purchases of property, plant and equipment of RMB1.5 million.



## Cash flow (used in)/generated from financing activities

For the six months ended 30 June 2021, net cash used in financing activities amounted to RMB2.2 million, resulting primarily from the repayment of bank borrowings in the amount of RMB7.1 million and partly offset by the net cash proceeds from the bank borrowings in the amount of RMB5.9 million.

## Capital expenditures

During the six months ended 30 June 2021 and 2020, the Group incurred capital expenditures mainly for construction costs related to property, plant and equipment, purchase of leasehold improvements and office equipment. The Group's capital expenditures were RMB1.5 million and RMB0.1 million for the six months ended 30 June 2021 and 30 June 2020, respectively.

## Trade receivables – net

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

	<b>As at 30 June 2021 RMB'000 Unaudited</b>	<b>As at 31 December 2020 RMB'000 Audited</b>
Aging analysis of trade receivables		
1 – 30 days	2,112	3,160
31 – 60 days	500	493
61 – 90 days	673	256
91– 180 days	1,362	917
181 – 365 days	1,615	3,731
Over 1 year	<u>9,070</u>	<u>6,202</u>
	<b>15,332</b>	<b>14,759</b>
<i>Less: provision for impairment of trade receivables</i>	<u><b>(9,762)</b></u>	<u><b>(9,298)</b></u>
Trade receivables – net	<u><b>5,570</b></u>	<u><b>5,461</b></u>

The Group's trade receivables slightly increased by 3.7% from RMB5.4 million as at 31 December 2020 to RMB5.6 million as at 30 June 2021.

### Properties held for sale

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
Properties held for sale	<u><b>22,794</b></u>	<u>24,255</u>

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 <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	<b>1,008</b>	2,593
31 – 90 days	<b>829</b>	909
Over 90 days	<u><b>8,812</b></u>	<u>8,279</u>
	<u><b>10,649</b></u>	<u>11,781</u>

The Group's trade payables decreased by 10.2% from RMB11.8 million as at 31 December 2020 to RMB10.6 million as at 30 June 2021.

## 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 2021, 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 7.18% 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 2021, the outstanding principal amount of the convertible bond was approximately RMB177,309,000.
- (c) During the year ended 31 December 2020, the Group obtained a bank borrowing amounted to RMB9,000,000. The bank borrowing was drawn on 25 September 2020. The balance is secured by the ownership right of the Group's properties in Xiamen, carries an interest rate at 3.85% per annum with a term of 1 year. The balance is denominated in RMB.

- (d) During the six months ended 30 June 2021, the Group renewed a revolving bank borrowing facility amounted to RMB5,900,000. The revolving bank borrowing was initially drawn on 17 April 2020 and returned in March 2021, and RMB5,900,000 was drawn again in March 2021. 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, increased by 35.8% to 80.5% as at 30 June 2021 (31 December 2020: 44.7%).

## Commitments

### (a) *Operating lease commitments – as a lessor*

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

	As at <b>30 June</b> <b>2021</b> <i>RMB'000</i> <b>Unaudited</b>	As at 31 December 2020 <i>RMB'000</i> Audited
Not later than 1 year	<b>1,229</b>	1,205
Later than 1 year and not later than 5 years	<b>5,429</b>	5,323
More than 5 years	<b>733</b>	1,466
	<b><u>7,391</u></b>	<b><u>7,994</u></b>

**(b) Capital commitments**

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

	<b>As at 30 June 2021 RMB'000 Unaudited</b>	As at 31 December 2020 RMB'000 Audited
Property, plant and equipment	<u><b>2,827</b></u>	<u>4,266</u>

**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 currently not recognised or disclosed could have a material impact on the Group’s financial position.

As at 30 June 2021 and 31 December 2020, the Group had no material contingent liabilities.

**Human resources**

As at 30 June 2021, the Group had 195 full-time employees (31 December 2020: 281). Total staff costs including directors’ remuneration for the six months ended 30 June 2021 was approximately RMB14.7 million (for the six months ended 30 June 2020: approximately RMB14.0 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 2021, the China economy continued to recuperate steadily with an unimpeded cycle of supply and demand, adjusted and optimized economic structure and continuously strengthened momentum for innovation. With the remarkable achievements of epidemic prevention and control and the recovery of household income, the China economy as a whole maintained a recovery trend, and consumption continued to improve. This year is the beginning of the “14th Five-Year Plan”. The government has clearly put forward the goals of expanding domestic demand and optimizing consumption market. It is expected that in the second half of the year, the contribution of consumption to China’s economic growth will be significantly improved, the consumption structure of residents will continue to upgrade, the integration of online and offline consumption will accelerate, and the innovation in new business forms and new models will develop in a healthier and more sustainable way.

On the other hand, the development of domestic cultural industry continues to receive national focus. With the introduction of a number of policies that are conducive to the development of the cultural media industry, the film and television industry will enter a golden stage that benefits all parties and promote China from a big movie country to a powerful regime. The tremendous consumption potential and the rapid development of digital innovation technology are expected to push China’s film and television industry to new heights.

Going forward, these positive factors are expected to drive the Group to continue to develop its existing businesses of advertising, marketing and consulting, and agricultural products. At the same time, the Group will continue to focus on restructuring its publishing and advertising businesses by consolidating with cultural and film media businesses in PRC, so as to broaden the long-term income sources of the Group. The Group will more actively leverage its experience and resources in the advertising, film, culture and media industries to develop integrated projects on the theme of film or media, and develop these 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 addition, 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**

The Coronavirus Disease 2019 (“**COVID-19**”) outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in Mainland China temporarily disrupted the operations of the Group’s various business and in particular the progress of the Group’s tourism and integrated development has been delayed. Management expects that the China’s government would launch additional proactive economic and monetary policies to stimulate its economic cycle.

## **SUBSEQUENT EVENTS**

On 1 August 2021, the Group has successfully obtained a borrowing facility of RMB20,000,000 from its shareholder and RMB1,500,000 has been drawn on 16 August 2021. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5%.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 2021 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 2021.



## **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 2021. 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 2021.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The interim results announcement is published on the websites of the Company ([www.shifangholding.com](http://www.shifangholding.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)). An interim report of the Company for the six months ended 30 June 2021 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, 31 August 2021

*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.*