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 2023

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 2023 together with the comparative figures for the corresponding period in 2022.

The Company's previous auditors retired upon the conclusion of the Company's annual general meeting on 30 June 2023 and the Company has yet to fill the vacancy so created. 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 2023

	Note	**30 June 2023** *RMB'000* **Unaudited**	31 December 2022 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**29,422**	30,735
Investment properties		**29,204**	29,204
Right-of-use assets		**2,380**	2,738
Intangible assets		**28,365**	28,720
Prepayments, deposits and other receivables		**20,785**	20,785
		110,156	112,182
Current assets			
Biological assets		**185**	185
Inventories		**–**	371
Properties held for sale		**15,097**	15,097
Financial assets at fair value through profit or loss		**4,376**	4,376
Trade receivables – net	*3*	**12,690**	14,518
Contract assets – net		**260**	260
Prepayments, deposits and other receivables		**63,580**	63,697
Restricted cash		**578**	578
Cash and cash equivalents		**10,975**	46,025
		107,741	145,107
Total assets		**217,897**	257,289
EQUITY			
Equity attributable to owners of the Company			
Share capital		**261,865**	261,475
Share premium		**136,454**	109,546
Other reserves		**180,457**	185,662
Accumulated deficits		**(580,284)**	(550,997)
		(1,508)	5,686
Non-controlling interests		**18,160**	32,270
Total equity/(deficit)		**16,652**	37,956

	Note	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		**8,792**	8,792
Lease liabilities		**3,253**	4,315
Loan from a shareholder		**–**	2,919
		12,045	16,026
Current liabilities			
Trade payables	*4*	**23,074**	26,508
Other payables and accrued expenses		**118,301**	107,817
Financial guarantees		**851**	851
Lease liabilities		**2,283**	2,126
Loan from a shareholder		**5,052**	1,500
Financial liabilities at fair value through profit or loss		**–**	25,690
Current income tax liabilities		**6,092**	5,868
Amounts due to related parties		**23,867**	23,867
Amount due to a joint venture		**9,680**	9,080
		189,200	203,307
Total liabilities		**201,245**	219,333
Total equity and liabilities		**217,897**	257,289

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*2*	**22,954**	88,505
Cost of sales		**(18,082)**	(87,686)
Gross profit		**4,872**	819
Selling and marketing expenses		**(1,127)**	(3,206)
General and administrative expenses		**(38,778)**	(16,649)
Provision for impairment on goodwill and other intangible assets		**–**	(3,161)
Other income		**280**	67
Other (losses)/gains – net		**(7,456)**	477
Operating loss		**(42,209)**	(21,653)
Finance income		**5**	9
Finance costs		**(920)**	(7,242)
Finance costs – net		**(915)**	(7,233)
Loss before income tax	*5*	**(43,124)**	(28,886)
(Income tax)/income tax credit	*6*	**(62)**	777
Loss for the period		**(43,186)**	(28,109)

	Note	Six months ended 30 June 2023 RMB'000 Unaudited	2022 RMB'000 Unaudited
Loss attributable to:			
– Owners of the Company		**(28,597)**	(27,044)
– Non-controlling interests		**(14,589)**	(1,065)
		(43,186)	(28,109)
Loss for the period		**(43,186)**	(28,109)
Other comprehensive income			
Item that may be reclassified to profit or loss			
Currency translation differences		**(3,811)**	2,999
Other comprehensive income for the period		**–**	2,999
Total comprehensive loss for the period		**(46,997)**	(25,110)
Total comprehensive loss attributable to:			
– Owners of the Company		**(32,408)**	(24,045)
– Non-controlling interests		**(14,589)**	(1,065)
		(46,997)	(25,110)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*7*	**(0.0269)**	(0.0287)
– Diluted (RMB per share)	*7*	**(0.0269)**	(0.0287)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

ShiFang Holding Limited (the "**Company**") is an investment holding company which, together with its subsidiaries (collectively, 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. With effect from 18 March 2019 (Bermuda time), the Company changed its domicile of 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 address of its registered office is 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 2023 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 2023.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2023 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 2022, which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

Going concern

For the six months ended 30 June 2023, the Group reported a net loss of approximately RMB43.2 million. As at 30 June 2023, the Group's current liabilities exceeded its current assets by RMB81.5 million while the Group had cash and cash equivalents of approximately RMB10.98 million. The above conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern.

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 six months ended 30 June 2023. In order to improve the Group's liquidity and financial position, the directors of the Company have been implementing various measures as follows:

(i) The Group has successfully obtained a borrowing facility of RMB20,000,000 from a company wholly-owned by a major shareholder of the Company on 1 August 2021. RMB1,500,000 had been drawn in 2021 and a further RMB2,919,000 had also been drawn in 2022. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5% per annum. On 6 March 2023, the repayment period of facility was extended from repayable in two years to repayable in four years from the date of drawdown. In addition, the major shareholder has issued a letter of financial support to the Company for a period of eighteen months from 31 December 2022 to enable the Group to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations.

(ii) The Group has obtained written confirmations from the directors and related parties which confirmed that they will not demand the Group for repayment of the amounts due by the Group in aggregate of RMB23,867,000 for the next eighteen months from 31 December 2022.

(iii) The Group is closely monitoring the progress of the Group's tourism project in Yongtai County in the PRC. As there were certain delays in the preparation work, the Group has revised the plan and anticipates the construction of the project will be commenced in 2023 and the project will be ready for commercial operation in 2025. The directors are confident that the Group would be able to commence the commercial operations of the tourism project in Yongtai County in 2025 which would start to generate income and operating cash inflows to the Group.

(iv) The Group is in negotiation with certain potential investors to raise fund to finance the capital investments for its tourism and integrated development projects.

(v) The Group is maximising its efforts to dispose its properties held for sales with a carrying amount of approximately RMB15.1 million as at 30 June 2023 and expected to collect the sales proceeds within the cashflow forecast period.

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

(vii) 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 and deferring discretionary capital expenditures, where necessary.

The directors, after making due enquiries and considering the basis of management's measures 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 after the balance sheet date 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 below plans and measures:

(i) Successful drawdown of financial resources from the above-mentioned (i) borrowing facility from the company wholly-owned by the major shareholder and (ii) financial support from the major shareholder, as and when required;

(ii) Successful implementation of measures to complete the preparation work and commence the commercial operation of the Group's tourism and integrated development projects as planned;

(iii) Successful completion of fund raising to finance the Group's capital investments for its tourism and integrated development projects;

(iv) Successful disposal of its properties held for sale and collection of sales proceeds as planned;

(v) Successful implementation of measures to control operating costs, expedite collection from customers, obtain additional sources of financing when needed and deferring discretionary capital expenditures where necessary, so as to improve the Group's cash flow position; and

(vi) Successful obtaining of 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 which are prepared on a going concern basis.

1.3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements except for those disclosed in the followings:

(a) New or amended standards adopted by the Group.

There are a number of new or amended standards and interpretations that become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adoption these standards.

(b) New standards and amendments to standards have been issued but are not yet early adopted by the Group.

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

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 2022.

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.

The Group has two business segments, namely (i) Publishing and advertising segment and (ii) Tourism and integrated developments segment.

The Executive Directors assess the performance of the operating segments based on a measure of earnings before other income, other gains – net, finance costs – net and income tax. This measurement basis excludes the effects of non-recurring expenditure from operating segments. 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 2023, 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 2023.

	Tourism and integrated developments *RMB'000* Unaudited	Publishing and advertising *RMB'000* Unaudited	Total *RMB'000* Unaudited
Segment revenue from external customers	1,098	21,856	22,954
Timing of revenue recognition			
At a point in time	1,098	21,408	22,506
Over time	–	448	448
Segment results	210	3,535	3,745
Other income			280
Other losses – net			(46,234)
Finance costs – net			(915)
Loss before income tax			(43,124)
Income tax credit			(62)
Loss for the period			(43,186)

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 2022.

	Tourism and integrated developments *RMB'000* Unaudited	Publishing and advertising *RMB'000* Unaudited	Total *RMB'000* Unaudited
Segment revenue from external customers	48,718	39,787	88,505
Timing of revenue recognition			
At a point in time	48,678	39,671	88,349
Over time	40	–	40
Under IFRS 16	–	116	116
Segment results	(998)	(21,199)	(22,197)
Other income			67
Other gains – net			477
Finance costs – net			(7,233)
Loss before income tax			(28,886)
Income tax credit			777
Loss for the period			(28,109)

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 and public vehicles 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	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper and public vehicles advertising services	**848**	4,970
Marketing and consulting services	**20,934**	32,503
Sales of agricultural products	**981**	48,610
Printing services	**74**	2,197
Others	**117**	225
	22,954	88,505

3 Trade receivables – net

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**22,468**	23,730
Less: provision for impairment of trade receivables	**(9,778)**	(9,212)
Trade receivables – net	**12,690**	14,518

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 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**–**	13,925
31 – 60 days	**608**	714
61 – 90 days	**12,719**	–
91 – 180 days	**3,902**	888
181 – 365 days	**1,233**	1,099
Over 1 year	**4,006**	7,104
	22,468	23,730
Less: provision for impairment of trade receivables	**(9,778)**	(9,212)
Trade receivables – net	**12,690**	14,518

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 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**9,212**	7,498
Provision for impairment of trade receivables *(Note 5)*	**566**	228
At 30 June	**9,778**	7,726

4 Trade payables

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**23,074**	26,508

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 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**4**	14,940
31 – 90 days	**13,554**	2,958
Over 90 days	**9,516**	8,610
	23,074	26,508

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

5 Operating loss

Operating loss is stated after charging/(crediting) the following:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper and public vehicles advertising		
– Media costs	**450**	4,445
Cost of printing services:		
– Raw material	**74**	736
– Other costs	**–**	252
Cost of sales of agricultural products	**976**	44,035
Cost of marketing services:		
– Subcontracting charges	**25,266**	33,059
Depreciation of property, plant and equipment	**1,650**	1,905
Depreciation of right-of-use assets	**353**	415
Amortisation	**355**	717
Provision for impairment of exclusive operating right (included in cost of sales)	**–**	3,988
Auditor's remuneration	**350**	662
Marketing expenses	**2,179**	2,363
Short term lease expenses	**76**	63
Net provision for impairment of trade receivables *(Note 3)*	**566**	228
Net reversal of provision for impairment of contract assets	**–**	(18)
(Gain)/loss on disposal of property, plant and equipment	**–**	(6)
Employee benefit expenses (including directors' emoluments)	**8,067**	11,066

6 (Income tax)/income tax credit

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**(62)**	(111)
Deferred income tax	**–**	888
	(62)	777

7 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2023 and 2022 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 2023	Six months ended 30 June 2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(28,597)**	(27,044)
Weighted average number of shares in issue, including bonus element (thousands)	**1,061,515**	943,439
Basic loss per share (RMB per share)	**(0.0269)**	(0.0287)

(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 six months ended 30 June 2023 (2022: same).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

According to data published by the National Bureau of Statistics on the 17th, the gross domestic product (GDP) in the first half of 2023 was RMB59,303.4 billion, representing an increase of 5.5% year-on-year at constant prices and 1.0 percentage point higher than the first quarter. On a quarterly basis, the GDP grew by 4.5% year-on-year in the first quarter and by 6.3% in the second quarter. On a quarter-on-quarter basis, GDP grew by 0.8% in the second quarter. In terms of industries, the overall growth rate of industry was stronger than that of the service sector in the past, however, the recovery rate of the service sector was significantly higher than that of the industry in the first half year. The added value of the tertiary industry in the first half year was RMB33,193.7 billion, an increase of 6.4%, which was the fastest growth rate among the three major industries.

The domestic consumer market significant recovery since the beginning of the year, only very few segments have retaliatory consumption. The catering and film industries are among the most outstanding markets. The reason is that the consumption amount of catering and movies is not big but also normal consumption in life. According to the latest statistics from the National Film Administration, as of 30 June, the total box office of films in 2023 was RMB26.271 billion, up by 52.91% compared to the box office of RMB17.181 billion in the first half of 2022. The reason why the Chinese film market is so active in 2023 is firstly due to the strong support for the film industry at the national level, the timely supply of new films and the introduction of the policy of "Periodically Exempting From Special Funds for the Development of the National Film Industry (階段性免征國家電影事業發展專項資金)". Secondly, Chinese filmmakers have also made great efforts to provide the market with a diverse range of high-quality films, bringing a large number of viewers back to the cinema.

According to data from Media Intelligence of CCTV Market Research (CTR), the advertising market rose 4.8% year-on-year in the first half year. In terms of month-on-month performance, the advertising market has returned to positive growth since March, with sustained double-digit year-on-year growth in April and May, and a slight drop in expenses growth in June. Despite the fluctuations, the overall market is still in a period of adjustment. In terms of channel segmentation, elevator LCD and elevator posters became unfavoured dark horses. The year-on-year change in cinema video, train/high-speed rail stations, airport and metro advertising expenses turned from negative to positive, bringing new growth to the industry. While year-on-year declines in TV and street furniture advertising narrowed respectively as compared to the same period last year, the decline in radio advertising widened. The fast-moving consumer goods industries such as beverages and food maintained a relatively large volume of advertising, with year-on-year increases in advertising expenses. The cosmetics/bathroom products, entertainment and leisure sectors also returned to positive growth, with double-digit increases in new advertising placements.

BUSINESS REVIEW

For the six months ended 30 June 2023, the Group recorded revenue of approximately RMB23.0 million from its principal business (first half of 2022: approximately RMB88.5 million). The gross profit was RMB4.9 million (first half of 2022: approximately RMB0.8 million). The gross profit margin increased from 0.9% in the first half of 2022 to 21.2% in the first half of 2023. The net loss after taxation was approximately RMB43.2 million (first half of 2022: approximately RMB28.1 million).

Newspapers and Public Vehicles Advertising Services

With the rapid advancement of technology and speedy changes in the market environment, the advertising industry is swiftly changing its placement model. Traditional media such as newspapers, radio, and television are gradually declining, while the mobile Internet and new media are beginning to dominate a strong lead in the advertising industry. During the period, the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory, coupled with the termination of the contract of the public vehicles advertising project in Fuzhou due to changes in the operating environment. For the six months ended 30 June 2023, newspapers and public vehicles advertising contributed approximately RMB0.8 million (first half of 2022: approximately RMB5.0 million) to the Group's revenue.

Marketing and Consulting Services and Printing Services

During the period, the rate of post-COVID 19 recovery is slower than expected and consumer confidence and property market remain weak. For the six months ended 30 June 2023, the Group's revenue from marketing and consulting services was approximately RMB20.9 million, representing a decrease of 35.6% as compared with the corresponding period in 2022. The revenue from printing services was approximately RMB74,000, compared to approximately RMB2.2 million for the corresponding period in 2022.

Sales of Agricultural Products

For the six months ended 30 June 2023, the Group's revenue from sales of agricultural products was approximately RMB1.0 million (first half of 2022: approximately RMB48.6 million). The sales of agricultural products of the Group mainly focus on ornamental plants, which tend to record higher sales in the second half year, and the sales of which are generally peaked towards the end of the calendar year to several weeks before the 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 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 fullchain 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 2023, the Group's revenue from the sales of agricultural products was approximately RMB1.0 million.

FINANCIAL REVIEW

Revenue

The total revenue of the Group decreased by 74.1% from RMB88.5 million for the six months ended 30 June 2022 to RMB23.0 million for the six months ended 30 June 2023, principally due to the decrease in revenue from sales of agricultural products and the stagnant environment. The Group's revenue from the sales of agricultural products for the six months ended 30 June 2023 was RMB981,000 (the first half of 2022: approximately RMB48.6 million). The revenue from marketing and consulting services decreased from approximately RMB32.5 million for the six months ended 30 June 2022 to approximately RMB20.9 million for the six months ended 30 June 2023.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB4.9 million for the six months ended 30 June 2023, compared to RMB0.8 million for the six months ended 30 June 2022. The gross profit margin increased from 0.9% for the six months ended 30 June 2022 to 21.2% for the six months ended 30 June 2023. The Group's profit margin in the first half of 2022 was dominated by the sales of agricultural products having a low profit margin. In contrast, the revenue from sales of agricultural products was much lower in the first half of 2023.

Overall expenses

The Group's overall expenses was RMB47.1 million for the six months ended 30 June 2023, compared to approximately RMB22.5 million for the corresponding period in 2022, principally due to the increases in general and administrative expenses including those incurred by a newly established subsidiary engaged in business services.

Results for the period

The Group recorded a net loss of RMB43.2 million for the six months ended 30 June 2023 (the corresponding period in 2022: net loss of RMB28.1 million), principally due to the increases in general and administrative expenses including those incurred by a newly established subsidiary engaged in business services.

Liquidity and capital resources

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(34,744)**	(9,174)
Net cash used in/generated from investing activities	**(306)**	4,799
Net cash used in financing activities	**–**	(1,424)
Net decrease in cash and cash equivalents	**(35,050)**	(5,799)
Cash and cash equivalents at beginning of the period	**46,025**	8,851
Exchange loss on cash and cash equivalents	**–**	–
Cash and cash equivalents at end of the period	**10,975**	3,052

Cash flow used in operating activities

For the six months ended 30 June 2023, net cash used in operating activities amounted to RMB34.7 million, which is primarily attributable to the net loss for the period in the amount of RMB43.2 million.

Cash flow generated from investing activities

For the six months ended 30 June 2023, net cash used in/generated from investing activities amounted to RMB0.3 million.

Capital expenditures

During the six months ended 30 June 2023 and 2022, 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 RMB306,299 and RMB47,000 for the six months ended 30 June 2023 and 30 June 2022, 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 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis of trade receivables		
1 – 30 days	**–**	13,925
31 – 60 days	**608**	714
61 – 90 days	**12,719**	–
91– 180 days	**3,902**	888
181 – 365 days	**1,233**	1,099
Over 1 year	**4,006**	7,104
	22,468	23,730
Less: provision for impairment of trade receivables	**(9,778)**	(9,212)
Trade receivables – net	**12,690**	14,518

Properties held for sale

	As at 30 June 2023 ***RMB'000*** **Unaudited**	As at 31 December 2022 *RMB'000* Audited
Properties held for sale	**15,097**	15,097

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 2023 ***RMB'000*** **Unaudited**	As at 31 December 2022 *RMB'000* Audited
Aging analysis of trade payables based on invoice date		
1 – 30 days	**4**	14,940
31 – 90 days	**13,554**	2,958
Over 90 days	**9,516**	8,610
	23,074	26,508

Indebtedness

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

During the year ended 31 December 2022, the Group has successfully obtained a borrowing of RMB12,300,000 from a joint venture on 1 August 2022, 27 September 2022 and 11 November 2022. The borrowing is unsecured, interest-free and the maturity over 4 years.

The Group has successfully obtained a borrowing facility of RMB20,000,000 from a shareholder on 1 August 2021. RMB1,500,000 had been drawn in 2021 and a further RMB2,919,000 had also been drawn in 2022. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5% per annum. On 6 March 2023, the borrowing period of facility was extended from repayable in two years to repayable in four years from the date of drawdown.

As at 31 December 2022, all bank borrowings were repaid.

Gearing ratio, being proportion of the Group's total borrowings to total assets, was 92.5% as at 30 June 2022 (31 December 2022: 21.2%).

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 2023 *RMB'000* **Unaudited**	As at 31 December 2022 *RMB'000* Audited
Not later than 1 year	**652**	652
Later than 1 year and not later than 5 years	**2,116**	2,116
	2,768	2,768

(b) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities amounted to RMB2,640,000 in respect of property, plant and equipment as at 30 June 2023 and 31 December 2022.

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.

The Group reviews for any significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsel, and the management's intentions to respond to the litigations. To the extent the estimates and judgements do not reflect the actual outcome, this could materially affect the results for the year and the financial position.

As at 30 June 2023 and 31 December 2022, the Group had no material contingent liabilities.

Human resources

As at 30 June 2023, the Group had 174 full-time employees (31 December 2022: 196). Total staff costs including directors' remuneration for the six months ended 30 June 2023 was approximately RMB8.1 million (for the six months ended 30 June 2022: approximately RMB11.1 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

Overall, the complicated and acute internal and external environment for China's economic development continued, despite the fact that the China economy achieved economic growth of 5.5% in the first half year, which laid a relatively sound foundation for the full-year economic recovery. However, the momentum of economic growth retruded in the second quarter, and the current high level of relative inventories in the industrial sector is not conducive to a rebound in prices and production amidst a downturn in exports and property demand. It is expected that the third quarter will enter a window period of intensive policy introduction, with macro policies starting to gain momentum in the middle of the year. The NDRC has issued the Notice on Further Improving and Promoting the Work of Promoting Private Investment and Endeavouring to Mobilise Private Investment Activity (《關於進一步抓好抓實促進民間投資工作努力調動民間投資積極性的通知》) and Measures on Restoring and Expanding Consumption (《關於恢復和擴大消費的措施》), which tackles on the characteristics of the first half year in which private investment was weak and the foundation of consumption was not yet solid, and may be followed by introducing further policies to stabilise growth.

It is expected that the total box office of the film market in the PRC will exceed RMB17.0 billion by the end of the summer holiday, resuming its level three years ago. It is also expected that 2023 will be the second occasion in the last decade that the top three box office positions will be dominated by domestic movies. The main reason for this is that the domestic film industry has improved its production standards in recent years, and has become increasingly mature in its control of content distribution and promotion, while audiences are losing their freshness to the IPs of current blockbusters. These phenomena have greatly boosted the confidence of the industry, and the summer holiday this year has reflected the results of the high-quality development of China's films, the construction of a strong film country is worth looking forward to.

According to data from Media Intelligence of CCTV Market Research (CTR), the 2023 China Advertisers' Marketing Trend Survey report reveals that the advertisers have an overall inelastic confidence index (confidence score of advertisers based on the overall domestic economic situation, industry development prospects and enterprise operation) in 2023, but their confidence in enterprise operation declines slightly. Advertisers are increasingly prudent in planning their annual marketing budgets, with approximately 31% of advertisers indicating that they will increase their marketing and promotion expenses in 2023, and the proportion of advertisers with decreasing or flat expenses remaining unchanged compared to last year. In general, the rapid development of China's advertising market has come to an end, and the overall market is in the midst of a difficult recovery.

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.

SUBSEQUENT EVENTS

(i) On 22 July 2023, (a) Ms. Chan Ching Yi resigned as the company secretary and an authorized representative of the Company; and (b) Mr. Chen Ye was appointed as an authorized representative of the Company.

(ii) On 24 July 2023, the Company's principal place of business in Hong Kong was changed to Room B, 4th Floor, Hennessy Plaza, 164-166 Hennessy Road, Wanchai, Hong Kong.

(iii) On 4 August 2023, Mr. Pang Wai Hong was appointed as the company secretary of the Company.

(iv) On 31 July 2022, the Company (as purchaser) and Mr. Nian Jiaxing (the "**Vendor**") entered into an acquisition agreement (as amended by a supplemental agreement dated 15 September 2022) (the "**Acquisition Agreement**") pursuant to which the Company conditionally agreed to purchase the entire issued share capital and shareholders' loan of Ideal Class Holdings Limited (the "**Acquisition**") for the consideration of HK$92,407,500, which were to be satisfied by the issue of three tranches of convertible bonds which were to be automatically converted into the Company's shares upon the fulfillment of certain profit guarantees undertaken by the Vendor. Subsequent to the completion of the Acquisition on 14 October 2022, it was discovered by the Company that the Vendor has committed material breaches of the terms and conditions of the Acquisition Agreement including, among other things, the representations, warranties and undertakings given to the Company prior to the completion of the Acquisition. On 23 August 2023, the Board resolved to issue a notice of rescission to the Vendor (the "**Notice of Rescission**") to treat the Acquisition as rescinded due to the material breaches of the Vendor and demand the immediate return of 132,010,713 Shares issued by the Company in consideration for the Acquisition, failing which the

Company reserves the rights to commence legal action in a Court having jurisdiction without further notice. Further details of the Notice of Rescission are set out in the announcement of the Company dated 23 August 2023.

OTHER INFORMATION

(i) As disclosed in the Company's announcement dated 27 February 2023, according to the audited accounts of the PRC Operating Company provided by the Vendor, the Company was given to understand by the Vendor that it has met the Third Guaranteed Profit. Pursuant to the terms of the Acquisition Agreement, the Third Tranche CB in the principal amount of HK$30,802,500 was automatically converted by the Company into 44,003,571 CB Conversion Shares (the "**Third Tranche CB Conversion Shares**") at the CB Conversion Price of HK$0.70 per CB Conversion Share and released to the Vendor (or his nominated entity(ies) as he may direct) on or before 28 February 2023. The Third Tranche CB Conversion Shares represent approximately 4.09% of the issued share capital of the Company as enlarged by the allotment and issue of the Third Tranche CB Conversion Shares.

(ii) With effect from the conclusion of the annual general meeting of the Company held on 30 June 2023, PricewaterhouseCoopers retired as the Company's auditor.

CHANGES IN DIRECTORS' INFORMATION

(i) On 9 January 2023, (a) Mr. Wang Xu was appointed as an executive Director; (b) Mr. Chen Ye was appointed as a non-executive Director; (c) Mr. Mao Xiangyun was appointed as an independent non-executive Director; (d) Mr. Wei Hong was appointed as an independent non-executive Director; (e) Mr. Chen Wei Dong resigned as a non-executive Director; (f) Mr. Zhou Chang Ren resigned as an independent non-executive Director; and (g) Mr. Cai Jian Quan resigned as an independent non-executive Director.

(ii) On 19 April 2023, Mr. Wong Heung Ming, Henry resigned as an independent non-executive Director.

(iii) On 30 June 2023, (a) Mr. Yu Shi Quan retired as an executive Director; (b) Ms. Chen Min retired as a non-executive Director; (c) Mr. Wang Xu retired as an executive Director; (d) Ms. Wang Bao Zhu was appointed as a non-executive Director; (e) Mr. Chai Chung Wai was appointed as an independent non-executive Director; and (f) Mr. Chen Ye was re-designated from a non-executive Director to an executive Director.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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.

Under code provision C.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 C.2.1. However, the management conveyed the latest business developments to the Directors to enable them to communicate 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.

Under Code Provision D.1.2, management should provide all members of the Board with monthly updates on the issuer's performance, position and prospects, which may include monthly management accounts and material variance between projections and actual results. During the period under review, although management accounts were not circulated to Board members on monthly basis, regular verbal updates were given by management to Directors on working level meetings from time to time, which the management and the Board consider to be sufficient and appropriate in the circumstances in giving a balanced and understandable assessment of the Group's performance and enabling Directors to discharge their duties.

The Board shall continue to monitor and review the Company's corporate governance practices to ensure compliance of the CG Code.

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 2023 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. Chai Chung Wai, Mr. Mao Xiangyun and Mr. Wei Hong. Mr. Chai Chung Wai 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 2023.

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 2023. 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 2023.

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 2023 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 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Zhi (Chairman & Chief Executive Officer) and Mr. Chen Ye; the non-executive Directors is Ms. Wang Bao Zhu; and the independent non-executive Directors are Mr. Chai Chung Wai, Mr. Mao Xiangyun and Mr. Wei Hong.