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)

(1) ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020; AND (2) SUSPENSION OF TRADING IN SHARES

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 3.3% from RMB122.4 million for the year ended 31 December 2019 to RMB126.4 million for the year ended 31 December 2020.
- The gross profit of the Group decreased by 33.8% from RMB21.0 million for the year ended 31 December 2019 to RMB13.9 million for the year ended 31 December 2020.
- The Group recorded a net loss of RMB74.5 million for the year ended 31 December 2020, which is mainly attributable to (i) provision for impairment on intangible assets and property, plant and equipment; and (ii) provision for impairment of financial and contract assets.
- The Group recorded a basic loss of RMB0.0889 per share for the year ended 31 December 2020 as compared to RMB0.2028 for the year ended 31 December 2019.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the unaudited consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures for the year of 2019.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2020 but represents an extract from the Group's unaudited consolidated financial statements. These unaudited consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	**2020** ***RMB'000*** **(Unaudited)**	2019 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*5*	**51,058**	90,212
Investment properties		**26,681**	–
Right-of-use assets		**5,211**	7,280
Intangible assets	*6*	**201,808**	216,349
Prepayments, deposits and other receivables	*9*	**80,544**	83,638
		365,302	397,479
Current assets			
Biological assets		**211**	239
Inventories		**894**	774
Properties held for sale	*7*	**24,255**	25,386
Financial assets at fair value through profit or loss		**6,564**	6,165
Trade receivables – net	*8*	**5,461**	9,561
Contract assets – net		**3,520**	3,744
Prepayments, deposits and other receivables	*9*	**11,513**	9,845
Amounts due from related parties		**1,273**	1,114
Restricted cash		**1,363**	1,098
Cash and cash equivalents		**12,889**	9,753
		67,943	67,679
Total assets		**433,245**	465,158

	Note	2020 RMB'000 (Unaudited)	2019 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**7,769**	6,402
Share premium	12	**48,820**	36,376
Other reserves		**191,363**	183,903
Accumulated deficits		**(193,722)**	(119,774)
		54,230	106,907
Non-controlling interests		**7,502**	8,208
Total equity		**61,732**	115,115
LIABILITIES			
Non-current liabilities			
Lease liabilities		**5,177**	9,215
Other payables		**52,000**	52,000
Deferred income tax liabilities		**45,517**	50,412
Convertible bonds	10	**168,148**	150,669
		270,842	262,296
Current liabilities			
Trade payables	11	**11,781**	8,106
Other payables and accrued expenses		**48,346**	41,100
Financial guarantees		**1,110**	1,518
Lease liabilities		**2,438**	3,010
Borrowings		**17,860**	6,230
Current income tax liabilities		**5,830**	17,310
Amounts due to related parties		**13,306**	10,473
		100,671	87,747
Total liabilities		**371,513**	350,043
Total equity and liabilities		**433,245**	465,158

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**126,384**	122,374
Cost of sales	*13*	**(112,514)**	(101,330)
Gross profit		**13,870**	21,044
Selling and marketing expenses	*13*	**(7,853)**	(12,209)
General and administrative expenses	*13*	**(56,730)**	(63,521)
Net fair value loss on financial assets at fair value through profit or loss		**399**	(8)
Net change in provision for impairment of financial and contract assets		**(6,107)**	(786)
Provision for impairment on goodwill and other intangible assets	*13*	**(21,546)**	(66,058)
Other income		**2,944**	336
Other gain/(loss) – net		**211**	(82)
Operating loss		**(74,812)**	(121,284)
Finance income		**59**	62
Finance costs		**(18,413)**	(26,032)
Finance costs – net		**(18,354)**	(25,970)
Share of losses of an associate		**–**	(1,366)
Loss before income tax		**(93,166)**	(148,620)
Income tax credit	*14*	**18,627**	5,097
Loss for the year		**(74,539)**	(143,523)
Loss attributable to:			
– Owners of the Company		**(73,784)**	(139,165)
– Non-controlling interests		**(755)**	(4,358)
		(74,539)	(143,523)

	Note	2020	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Revaluation gain for property, plant and equipment transferred to investment properties, net of deferred tax		**2,629**	–
Items that may be reclassified to profit or loss			
Currency translation differences		**4,667**	(1,392)
Other comprehensive income/(loss) for the year		**7,296**	(1,392)
Loss and total comprehensive loss for the year		**(67,243)**	(144,915)
Loss and total comprehensive loss attributable to:			
– Owners of the Company		**(66,488)**	(140,557)
– Non-controlling interests		**(755)**	(4,358)
		(67,243)	(144,915)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	15	**(0.0889)**	(0.2028)
– Diluted *(RMB per share)*	15	**(0.0889)**	(0.2028)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

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

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

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

These unaudited consolidated financial statements for the year ended 31 December 2020 are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These unaudited consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2021.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

- financial assets at fair value through profit or loss – measured at fair value;
- investment properties – measured at fair value; and
- biological assets – measured at fair value less costs to sell.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are to be included in 2020 annual report.

Going concern

During year ended 31 December 2020, the Group reported a net loss of RMB74,539,000 and had a net cash outflow from operating activities of RMB6,339,000. As at 31 December 2020, the Group's current liabilities exceeds its current assets by RMB32,728,000 while it had cash and cash equivalents of approximately RMB12,889,000.

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 and is confident that the Group's operation will be recovered in 2021.

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

The directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the consolidated financial statements for the year ended 31 December 2020. In order to improve the Group's financial position, the directors of the Company have been implementing various measures as follows:

(i) The Group has successfully obtained a borrowing facility of RMB20,000,000 from its shareholder. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5%. In addition, the shareholder has issued a letter of financial support to the Company for a period of twelve months from the approval date of these consolidated financial statements to enable the Group to meet liabilities as they fall due and carry on business without a significant curtailment of operations;

(ii) The Group has successfully renewed its bank borrowing of RMB5,900,000 under a revolving bank borrowing facility on 28 February 2021 for a term of one year. Based on the communication with the bank, the directors are confident that the Group would be able to renew another 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 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 has obtained a written confirmation from the directors and the related parties which confirmed that they will not demand the Group for repayment of the amounts due by the Group in aggregate of RMB13,028,000 for the next twelve months from 31 December 2020; and

(vi) 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 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 in drawdown of borrowing from the major shareholder of RMB20,000,000 and 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.

(i) Amendments to standards effective in 2020

Amendments to IFRS 3	Definition of a business
Amendments to IAS 1 and IAS 8	Definition of material
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
IFRS 7, IFRS 9 and IAS 39	Interest rate benchmark reform – amendment to IFRS 7, IFRS 9 and IAS 39

The adoption of the amendments to standards listed above did not have any material impact on the consolidated financial statements for the current year or any prior years.

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

Amendments to IFRS 16	COVID-19-related Rental Concession[1]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform[2]
Amendments to IFRS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to IFRS 3	Reference to Conceptual Framework[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
IFRS 17	Insurance Contract[4]
Amendments to IAS 1	Presentation of Financial Statements on classification of Liabilities as Current or Non-current[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint venture[5]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date to be determined

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

3 Revenue

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. The total sales amount of the Group's five largest customers is RMB56,552,000 for the year ended 31 December 2020 (2019: RMB26,713,000). An analysis of the Group's revenue for the year is as follows:

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Newspaper and public vehicles advertising	**10,150**	4,376
Marketing and consulting services	**55,084**	23,813
Printing services	**4,328**	4,408
Sales of agricultural products	**56,167**	87,265
Others	**655**	2,512
	126,384	122,374

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
– At a point in time	**124,033**	115,225
– Over time	**2,213**	5,149
– Under IFRS 16	**138**	2,000
	126,384	122,374

During the year ended 31 December 2020 and 2019, revenue derives from a customer of the Group amounted to RMB39,282,000 which accounted for more than 10% of the Group's revenue. (2019: Nil)

Assets and liabilities related to contracts with customers

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets *(Note (i))*	**3,639**	3,891
Less: Provision for impairment *(Note (ii))*	**(119)**	(147)
Contract assets – net	**3,520**	3,744
Contract liabilities *(Note (iii))*	**9,741**	6,717
Total contract liabilities	**9,741**	6,717

Notes:

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

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

The Group applies the simplified approach to provide for expected credit losses. As at 31 December 2020, a provision of RMB119,000 (2019: RMB147,000) was made against the gross amount of contract assets.

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

Revenue recognised in relation to contract liabilities

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the year	**735**	521

(iv) Unsatisfied performance obligations

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advertising services	**8,032**	6,717
Sales of agricultural products	**1,709**	–
	9,741	6,717

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

4 Segment information

(a) Description of segments and principal activities

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

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

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

(b) Segment revenue and segment results

As at 31 December 2020, the Executive Directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

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

(ii) Tourism and integrated developments segment, which mainly included provision of tourism and integrated services through its media, resort and eco-tourism integrated development projects and sales of agricultural products, including the Beijing Shihua Caves Niaoyulin Project, the Yongtai Distinctive Town Project and Cooperative Project in YongFu Town.

The table below shows the segment results and other segment items provided to the Executive Directors for the reportable segments for the year ended 31 December 2020.

Unaudited	Tourism and integrated developments *RMB'000*	Publishing and advertising *RMB'000*	Total *RMB'000*
Segment revenue from external customers	**56,443**	**69,941**	**126,384**
Timing of revenue recognition for revenue			
At a point in time	**56,443**	**67,590**	**124,033**
Over time	**–**	**2,213**	**2,213**
Under IFRS16	**–**	**138**	**138**
Segment results	**(42,021)**	**(35,946)**	**(77,967)**
Other income			**2,944**
Other loss			**211**
Finance costs – net			**(18,354)**
Loss before income tax			**(93,166)**
Income tax credit			**18,627**
Loss for the year			**(74,539)**

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

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

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

5 Property, plant and equipment

Audited	Land and buildings RMB'000	Construction in progress RMB'000	Leasehold improve–ments RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Exhibition animals RMB'000	Mature bearer plants RMB'000	Immature bearer plants RMB'000	Total RMB'000
At 1 January 2019										
Cost	49,565	7,597	10,071	32,123	9,675	6,970	4,293	–	–	120,294
Accumulated depreciation	(908)	–	(6,515)	(28,591)	(6,318)	(5,634)	(143)	–	–	(48,109)
Accumulated impairment losses	–	–	(1,227)	(3,532)	–	–	–	–	–	(4,759)
Net carrying amount	48,567	7,597	2,329	–	3,357	1,336	4,150	–	–	67,426
Year ended 31 December 2019										
Opening net carrying amount	48,657	7,597	2,329	–	3,357	1,336	4,150	–	–	67,426
Additions	–	12,177	2,101	–	911	187	–	5,585	10,048	31,009
Transfer	–	(4,363)	4,363	–	–	–	–	–	–	–
Disposals	–	–	(604)	–	(25)	–	–	–	–	(629)
Depreciation *(Note 13)*	(1,499)	–	(1,514)	–	(834)	(591)	(859)	(137)	–	(5,434)
Impairment	–	–	(969)	–	(966)	(273)	–	–	–	(2,208)
Currency translation differences	–	–	32	–	11	5	–	–	–	48
Closing net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212
At 31 December 2019										
Cost	49,565	15,411	10,777	32,123	10,589	7,171	4,293	5,585	10,048	145,562
Accumulated depreciation	(2,407)	–	(4,070)	(28,591)	(7,169)	(6,234)	(1,002)	(137)	–	(49,610)
Accumulated impairment losses	–	–	(969)	(3,532)	(966)	(273)	–	–	–	(5,740)
Net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212

Unaudited	Land and buildings RMB'000	Construction in progress RMB'000	Leasehold improve–ments RMB'000	Machinery RMB'000	Fixture, furniture and equipment RMB'000	Motor vehicles RMB'000	Exhibition animals RMB'000	Mature bearer plants RMB'000	Immature bearer plants RMB'000	Total RMB'000
Year ended 31 December 2020										
Opening net carrying amount	47,158	15,411	5,738	–	2,454	664	3,291	5,448	10,048	90,212
Additions	–	1,023	4	–	44	–	–	–	–	1,071
Acquisition of a subsidiary	–	–	–	–	527	–	–	–	–	527
Transfer to investment properties	(26,681)	–	–	–	–	–	–	–	–	(26,681)
Revaluation surplus	3,506	–	–	–	–	–	–	–	–	3,506
Disposals	(6,527)	–	–	–	(6)	–	–	–	–	(6,533)
Depreciation *(Note 13)*	(1,498)	–	(1,577)	–	(596)	(106)	(859)	(275)	–	(4,911)
Impairment	(5,309)	(836)	–	–	–	–	–	–	–	(6,145)
Currency translation differences	–	–	–	–	–	12	–	–	–	12
Closing net carrying amount	10,649	15,598	4,165	–	2,423	570	2,432	5,173	10,048	51,058
At 31 December 2020										
Cost	17,638	16,434	10,710	32,123	24,003	7,132	4,293	5,585	10,048	127,666
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	10,649	(15,598)	4,165	–	2,423	570	2,432	5,173	10,048	51,058

During the year ended 31 December 2020, certain buildings with a fair value of RMB26,681,000 have transferred to investment properties as evidenced by end of owner occupation. The difference between the net book value and fair value has been credited to revaluation surplus.

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of sales	**274**	137
General and administrative expenses	**4,637**	5,297
Total	**4,911**	5,434

The Group recognised an impairment charge reflecting the aggregate difference totalling RMB6,145,000 (2019: RMB2,208,000) for these property, plant and equipment. These impairment charges for the year ended 31 December 2020 were recorded in the Group's consolidated statement of comprehensive income within "General and administrative expenses" (Note 13).

6 Intangible assets

Audited	Computer software *RMB'000*	Non-compete agreement *RMB'000*	Goodwill *RMB'000*	Customer relationships *RMB'000*	Trademark *RMB'000*	Web site *RMB'000*	Right to a land lease *RMB'000*	Township operation right *RMB'000*	Total *RMB'000*
At 1 January 2019									
Cost	3,139	11,500	78,631	14,500	9,400	8,476	193,439	28,000	347,085
Accumulated amortisation	(2,672)	(11,500)	–	(14,500)	(7,135)	(8,476)	(3,171)	(471)	(47,925)
Accumulated impairment losses	(410)	–	(12,573)	–	(2,265)	–	–	–	(15,248)
Net carrying amount	57	–	66,058	–	–	–	190,268	27,529	283,912
Year ended 31 December 2019									
Opening net carrying amount	57	–	66,058	–	–	–	190,268	27,529	283,912
Additions	8	–	–	–	–	–	–	–	8
Acquisition of subsidiaries	–	–	3,955	–	–	–	–	–	3,955
Amortisation *(Note 13)*	(6)	–	–	–	–	–	(4,757)	(705)	(5,468)
Impairment	–	–	(66,058)	–	–	–	–	–	(66,058)
Closing net carrying amount	59	–	3,955	–	–	–	185,511	26,824	216,349
At 31 December 2019									
Cost	3,146	11,500	82,586	14,500	9,400	8,476	193,439	28,000	351,047
Accumulated amortisation	(2,676)	(11,500)	–	(14,500)	(7,135)	(8,476)	(7,928)	(1,176)	(53,391)
Accumulated impairment losses	(411)	–	(78,631)	–	(2,265)	–	–	–	(81,307)
Net carrying amount	59	–	3,955	–	–	–	185,511	26,824	216,349

Unaudited	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*
Year ended 31 December 2020										
Opening net carrying amount	59	–	3,955	–	–	–	185,511	26,824	–	216,349
Additions	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	7,253	–	–	–	–	–	5,582	12,835
Amortisation *(Note 13)*	(4)	–	–	–	–	–	(4,757)	(707)	(362)	(5,830)
Impairment	–	–	–	–	–	–	(21,546)	–	–	(21,546)
Closing net carrying amount	55	–	11,208	–	–	–	159,208	26,117	5,220	201,808
At 31 December 2020										
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)	–	(14,550)	(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	55	–	11,208	–	–	–	159,208	26,117	5,220	201,808

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

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

Unaudited	Opening *RMB'000*	Acquisition of subsidiaries *RMB'000*	Impairment *RMB'000*	Closing *RMB'000*
Year ended 31 December 2020				
Public vehicles advertising project in Fuzhou *(Note (i))*	–	7,253	–	7,253
Cooperative project in Yongfu Town *(Note (ii))*	3,955	–	–	3,955
	3,955	7,253	–	11,208
Audited	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Beijing Shihua Caves Niaoyulin Project *(Note (iii))*	66,058	–	(66,058)	–
Cooperative project in Yongfu Town *(Note (ii))*	–	3,955	–	3,955
	66,058	3,955	(66,058)	3,955

Note:

(i) Public vehicles advertising project in Fuzhou

During the year ended 31 December 2020, goodwill amounting to RMB7,253,000 was recognised as a result of acquisition of Fuzhou Mobile Media Co., Ltd. Goodwill has been allocated to the CGU that engaged in provision of the public vehicles advertising services for the purpose of impairment testing. The recoverable amount of the CGU determined based on the value in use approach was higher than the carrying amount of the CGU.

As at 31 December 2020, management of the Group determined that there was no impairment of the CGU to which the goodwill has been allocated.

(ii) Cooperative project in Yongfu Town

During the year ended 31 December 2019, goodwill amounting to RMB3,955,000 was recognised as a result of acquisition of Zhang Ping Nong Bo Hui New Specialized Farmers' Cooperative. Goodwill has been allocated the CGU that operates the cooperative project in Yongfu Town for the purpose of impairment testing.

As at 31 December 2020 and 2019, management of the Group determined that there was no impairment of the CGU to which the goodwill has been allocated.

(iii) Beijing Shihua Caves Niaoyulin Project

As at 31 December 2019, the recoverable amount was determined based on fair value less cost of disposal method. That calculation uses the asset-based approach, which the key assumption includes the adjusted land unit rate.

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

7 Properties held for sale

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

	2020	2019
	RMB’000	*RMB’000*
	(Unaudited)	(Audited)
Properties held for sale	**24,255**	25,386

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

Management assessed the fair value less costs to sell of the properties with reference to their market value with the assistance of an independent property valuer. Valuation methodologies used in the valuation included direct market comparable approach and income approach which are within Level 2 and Level 3 of the fair value hierarchy respectively. For direct market comparable approach, observable inputs other than quoted prices within Level 1 included market price of comparable properties adjusted having regard to the location, size and nature of the properties (Level 2). For income approach, unobservable inputs included expected rent income, growth rate and discount rate (Level 3). There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. For the year ended 31 December 2020, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary (2019: Nil).

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

8 Trade receivables – net

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**14,579**	12,724
Less: provision for impairment of trade receivables	**(9,298)**	(3,163)
Trade receivables – net	**5,461**	9,561

The payment terms with customers are mainly cash on delivery and on credit. The credit periods range from 30 days to 365 days after the end of the month in which the relevant sales occurred. Aging analysis of the Group's trade receivables based on invoice date was as follows:

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 – 30 days	**3,160**	8,486
31 – 60 days	**493**	112
61 – 90 days	**256**	84
91 – 180 days	**917**	118
181 – 365 days	**3,731**	1,068
Over 1 year	**6,202**	2,856
	14,759	12,724
Less: provision for impairment of trade receivables	**(9,298)**	(3,163)
Trade receivables – net	**5,461**	9,561

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

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

As at 31 December 2020, trade receivables of RMB9,298,000 (2019: RMB3,163,000) were impaired and provided for. For the year ended 31 December 2020, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB6,135,000 (2019: the amounts of the provision charged to the consolidated statement of comprehensive income were RMB690,000).

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

During the year ended 31 December 2020, trade receivables of RMB2,000,000 (2019: RMB2,191,000) were directly written-off to the consolidated statement of comprehensive income.

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**3,163**	2,473
Net change in provision for impairment of trade receivables	**6,135**	690
At 31 December	**9,298**	3,163

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

The Group does not hold any collateral as security.

9 Prepayments, deposits and other receivables

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current portion		
Prepayment for township development *(Note (i))*	**17,000**	17,000
Prepayment for property, plant and equipment	**9,991**	9,991
Other prepayments	**1,403**	4,209
Deposits for marketing and promotion contracts *(Note (ii))*	**52,000**	52,000
Rental deposits	**–**	438
Other deposits	**150**	–
	80,544	83,638

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current portion		
Prepayments	**3,866**	3,284
Rental deposit	**917**	500
Deposits and other receivables	**6,730**	6,061
	11,513	9,845

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
RMB	**91,639**	93,045
HK$	**418**	438
	92,507	93,483

(i) Prepayment for township development

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

During the year ended 31 December 2017, the Group entered into an operation right agreement with the Yongtai Government for the acquisition of a 40-years' exclusive operation right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in the operation site at a consideration of RMB28,000,000. The consideration of RMB28,000,000 was deducted from the RMB50,000,000 refundable deposit placed by the Group with Yongtai Government under the framework agreement. The prepayment of RMB28,000,000 has been subsequently utilised upon completion of the acquisition on 19 April 2018 and RMB5,000,000 had been refunded by the Government during the year ended 31 December 2019.

As at 31 December 2020, the remaining deposit of RMB17,000,000 (2019: 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 31 December 2020 and 2019, deposits for marketing and promotion contracts represent cash paid by the Group to a property developer in the PRC in relation to exclusive marketing and promotion services agreements between the Group and the property developer. Pursuant to the agreements, the Group has obtained rights as the sole marketing and promotion services provider for two real estate development projects owned by the property developer for terms of 3 years over the selling period of the real estate development projects. These deposits will, amongst other terms and conditions, be repayable to the Group after the Group meet the sales target as stated in the agreements.

10 Convertible bonds

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

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

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

The convertible bonds are presented as follows:

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**150,669**	–
Liability component on initial recognition	**–**	169,652
Interest accrued *(Note (a))*	**17,479**	11,511
Conversion during the year *(Note (b))*	**–**	(30,494)
At 31 December	**168,148**	150,669

Notes:

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

(b) The Subscriber partially converted the convertible bonds in the aggregate principal amount of RMB38,441,000 during the year ended 31 December 2019 *(Note 12)* .

11 Trade payables

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**11,781**	8,106

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

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 – 30 days	**2,593**	4,031
31 – 90 days	**909**	390
Over 90 days	**8,279**	3,685
	11,781	8,106

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

12 Share capital

	Number of ordinary shares	**Nominal value of ordinary shares** *HK$*	**Equivalent nominal value of ordinary shares** *RMB'000*	**Share premium** *RMB'000*	**Total** *RMB'000*
Authorised:					
Ordinary shares of HK$0.1 each at 31 December 2019 and 2020	100,000,000,000	0.01			
Issued:					
Ordinary shares at 31 December 2019 and 1 January 2020	757,599,030	7,575,990	6,402	36,376	42,778
Issuance of ordinary shares *(Note (a))*	151,519,806	1,515,198	1,367	12,444	13,811
At 31 December 2020 (Unaudited)	909,118,836	9,091,188	7,769	48,820	56,589

Notes:

(a) The company issued 151,519,806 ordinary shares at placing price of HK$0.101 per share on 10 July 2020 (representing 16.71% of the total issued ordinary shares of the Company as enlarged by the issuance) to 2 subscribers.

13 Expenses by nature

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of newspaper and public vehicles advertising		
– Media costs	**5,557**	2,391
Cost of printing services:		
– Raw materials	**1,853**	2,819
– Other costs	**408**	519
Cost of sales of agricultural products	**50,778**	76,372
Depreciation on property, plant and equipment *(Note 5)*	**4,911**	5,434
Depreciation on right-of-use assets	**946**	2,721
Amortisation *(Note 6)*	**5,830**	5,468
Auditor's remuneration	**3,821**	4,147
Gain on early termination of lease	**(1,947)**	–
Marketing expenses	**6,366**	10,839
Operating lease charges in respect of land and buildings	**634**	222
Net loss on disposal of property, plant and equipment	**6,533**	142
Gain on disposals of properties held for sale	**(203)**	–
Net change in provision for impairment of trade receivables *(Note 8)*	**6,135**	690
Provision for impairment of goodwill and other intangible assets *(Note 6)*	**21,546**	66,058
Net change in provision for impairment of financial guarantee	**(408)**	1,026
Net change in provision for impairment of contract assets	**(28)**	96
Provision for impairment of property, plant and equipment *(Note 5)*	**6,145**	2,208
Provision for impairment of right-of-use assets	**239**	5,734
Legal and professional fee	**827**	2,595
Write-off of trade receivables	**2,000**	2,191
Write-off of other receivables	**–**	236
Net foreign exchange losses/(gains)	**3,671**	(3,560)
Employee benefit expenses (including directors' emoluments)	**31,485**	44,274
Business tax	**101**	287

14 Income tax credit

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**(48)**	(6)
– Over provision in prior years	**11,507**	3,792
	11,459	3,786
Deferred income tax credit	**7,168**	1,311
	18,627	5,097

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2020 and 2019.

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss before income tax	**(93,166)**	(148,620)
Tax calculated at domestic rates applicable to profits of the entities in the respective jurisdictions *(Note)*	**20,714**	(27,259)
Tax effects of:		
Income not subject to tax	**1,122**	1,024
Expenses not deductible for tax purposes	**(7,198)**	(20,540)
Tax losses for which no deferred income tax asset was recognised	**(7,681)**	(6,683)
Utilisation of previously unrecognised tax losses	**163**	245
Overprovision in prior years	**11,507**	3,792
	18,627	5,097

Note: The weighted average applicable tax rate was 22.2% (2019: 18.3%). The increase is mainly caused by less operation for subsidiaries in Hong Kong which were entitled to lower applicable tax rate.

15 Loss per share

(a) Basic

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

	2020 **(Unaudited)**	2019 (Audited)
Loss attributable to owners of the Company *(RMB'000)*	**(73,784)**	(139,165)
Weight average number of shares in issue, including bonus element *(thousands)*	**829,830**	686,214
Basic loss per share *(RMB per share)*	**(0.0889)**	(0.2028)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares during the year ended 31 December 2020 (2019 : same).

16 Dividend

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

17 Litigation

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. As at 31 December 2020, the Group considers that Beijing Fanxing has good prospects of defending the claims in related to rescinding of the lease agreement and the legal proceedings are unlikely to result in rescinding of the lease agreement as well as any material outflow of economic benefits from the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2020 (the "**Review Period**"), the global economy was continuously affected by the COVID-19. China is expected to become the only major economy in the world to achieve positive economic growth. In 2020, China's annual gross domestic product (GDP) was RMB101.6 trillion, representing a year-on-year increase of 2.3%, exceeding the RMB100 trillion mark for the first time. From the quarterly perspective, the GDP decreased by 6.8% year-on-year in the first quarter as it was most seriously affected by the epidemic. However, its GDP began to bottom out and rebounded in the second quarter with a growth of 3.2%. In the third quarter, the GDP growth rate continued to accelerate, up by 4.9%. The GDP growth rate reached 6.5% in the fourth quarter, which was even higher than the 6% growth rate in the fourth quarter of 2019.

Despite the GDP data revealed that China's economy has begun to regain its upward trend and it is believed that the growth momentum will continue. However, as the growth is mainly driven by investment and exports, the domestic consumer demand recovery remains weak.

In 2020, the Chinese advertisement market generally showed a trend of low first and high afterwards. According to the CTR data, in 2020, China's advertising expenditures fell by 11.6% year-on-year, which was 4.2 percentage points higher than that of 2019. This was mainly due to the overall decline in advertising demand throughout the year due to the impact of the COVID-19 outbreak.

In terms of channels, the advertising revenue on TV, radio, newspapers, magazines and traditional outdoor advertising decreased by 13.5%, 19.9%, 28.2%, 30.0% and 4.1%, respectively, while the advertising revenue on TVs in elevators and posters in elevators increased by 23.8% and 28.9%, respectively. In terms of industry sectors, the food industry invested a lot in advertising through multiple channels but only achieved a slow growth, whereas IT products and services industry recorded a growth rate of 46.9%, making it the only industry among the top ten advertising industries to record an increase in advertising.

Since the film market in Mainland China resumed its works on 20 July 2020, the box office of urban cinemas nationwide reached RMB8.061 billion, a year-on-year decrease of 39.2%. During the period under review, total box office was RMB20.417 billion, down by 68.2% year-on-year. Backed by the favourable situation of epidemic prevention and control in China, for the first time, it has become the film market with highest box office in the world.

Business Review

During the period under review, the Group successfully expanded its bus TV advertising agency business. Together with the increase in revenue from an exclusive marketing and promotion services project secured by the Group from a property development project in China, the Group recorded a revenue of RMB126.4 million from its principal business (2019: RMB122.4 million). The gross profit was RMB13.9 million (2019: RMB21.0 million). The gross profit margin was 11.0%. The net loss after taxation was reduced to approximately RMB74.5 million (2019: RMB143.5 million).

Newspapers and Public Vehicles Advertising

The business environment remained challenging in the print media market as the market was hit by new online media and the COVID-19 outbreak. The newspapers advertising industry recorded a double-digit decline in 2020. Together with the intense competition from new media and the Internet, although the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory, however, the revenue from the newspapers advertising only slightly decreased to RMB4.1 million during the reporting period (2019: RMB4.4 million), with a gross profit margin of 46.3%. The public vehicles advertising is a new project this year which mainly generates revenue from TV advertisements on public vehicles, and has contributed RMB6.0 million to the Group’s revenue during the period, with a gross profit margin of 44.0%.

Marketing and Consulting Services and Printing Services

In 2020, the Group's revenue from marketing and consulting services was approximately RMB55.1 million, representing a significant increase of 131.5% as compared with 2019, while the gross profit margin was 9.6%. The increase in revenue was principally due to the contribution of an exclusive marketing and promotion services project secured by the Group from a property development project in China. The revenue from printing services was RMB4.3 million, approximate to that of the corresponding period in 2019, with a gross profit margin of 25.1%.

Sales of Agricultural Products

As of the end of 2020, the Group's revenue from sales of agricultural products was approximately RMB56.2 million (2019: RMB87.3 million), while the gross profit margin was 9.6%. The sales of agricultural products of the Group focus on ornamental plants, the sales of which are generally peaked towards the end of the calendar year. However, due to the impact of the COVID-19 outbreak, the revenue decreased significantly.

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.

During the period under review, the Group entered into the JV Agreement with Versatile Technologies Co., Ltd. ("**Versatile Technologies**") in relation to the joint investment in the JV Company for the purpose of engaging in a new media project in China. Pursuant to the JV Agreement, the JV Company is held as to 51% by Graceful Universe Holdings Limited, a wholly-owned subsidiary of the Group and the remaining 49% equity is held by Versatile Technologies. The intended scope of business of the JV Company includes advertising, e-commerce, business and information consultancy, computing and internet technology, and system integration. These new projects are hoped to form synergy and all value to the Group's existing businesses, and to broaden the Group's income stream in the long run.

Tourism and Integrated Developments Segment

In line with the national policy of distinctive town construction, development and investment with an aim to promoting the regional development and rural revitalisation in China, 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 during the year 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. We are actively developing a marketing service ecosystem. We used the outdoor advertising screen as the portal and analyzed the advertising conversion rate using big data technologies, so as to provide high precision marketing service platform. At the same time, the Group has launched a smart mobile APP that adopts blockchain technology and offers information, e-commerce, advertising and consultancy services. We believe this APP will help us grasping market opportunities.

FINANCIAL REVIEW

Revenue

Total revenue increased slightly by 3.3% from RMB122.4 million for the year ended 31 December 2019 to RMB126.4 million for the year ended 31 December 2020, primarily due to the increased revenue from marketing and consulting services. Revenue from marketing and consulting services increased from RMB23.8 million for the year ended 31 December 2019 to RMB55.1 million for the year ended 31 December 2020. Revenue from newspaper and public vehicle advertising increased from RMB4.4 million for the year ended 31 December 2019 to RMB10.2 million for the year ended 31 December 2020. Revenue from the sales of agricultural products decreased from RMB87.3 million for the year ended 31 December 2019 to RMB56.2 million for the year ended 31 December 2020. Revenue from printing services decreased slightly from RMB4.4 million for the year ended 31 December 2019 to RMB4.3 million for the year ended 31 December 2020.

Gross profit and gross profit margin

Gross profit decreased by 33.8% from RMB21.0 million for the year ended 31 December 2019 to RMB13.9 million for the year ended 31 December 2020. Gross profit margin decreased from 17.2% in 2019 to 11.0% in 2020, which was primarily attributable to the lower gross profit margin of the revenue from marketing and consulting services for the new exclusive marketing and promotion services project.

Other income

Other income increased from RMB0.3 million for the year ended 31 December 2019 to RMB2.9 million for the year ended 31 December 2020, mainly due to the Group has obtained government grant of RMB2.8 million in the year.

Selling and marketing expenses

Selling and marketing expenses decreased by 35.2% from RMB12.2 million for the year ended 31 December 2019 to RMB7.9 million for the year ended 31 December 2020, mainly due to reduction in marketing expenses from RMB10.8 million for the year ended 31 December 2019 to RMB7.9 million for the year ended 31 December 2020.

General and administrative expenses

General and administrative expenses decreased by 10.7% from RMB63.5 million for the year ended 31 December 2019 to RMB56.7 million for the year ended 31 December 2020, mainly due to (i) decrease in provision for impairment of right-of-use assets of RMB5.5 million; and (ii) decrease in foreign exchange gain from RMB3.5 million to foreign exchange loss of RMB3.7 million offset by (i) increase in provision for impairment of property, plant and equipment of RMB3.9 million.

Loss before income tax

As a result of (i) the non-recurrence in 2020 of the one-off provision for impairment on goodwill; (ii) decrease in selling and marketing expense; and (iii) lower finance costs, but partially offset by the effect of provision for impairment of intangible assets. Loss before income tax for the year ended 31 December 2020 was RMB93.2 million, representing a decrease of 37.3% as compared to loss before income tax of RMB148.6 million for the year ended 31 December 2019.

Loss for the year

The Group recorded a net loss for the year of RMB74.5 million for the year ended 31 December 2020, representing a decrease of 48.1% as compared to loss for the year of RMB143.5 million for the year ended 31 December 2019. Decrease in loss for the year was mainly attributable to the decrease in one-off provision on impairment for goodwill for the year ended 31 December 2019, offset by the effect of provision for impairment of intangible assets and property, plant and equipment.

Loss attributable to non-controlling interests

As a result of the above factors, loss attributable to non-controlling interests decreased from RMB4.4 million for the year ended 31 December 2019 to RMB0.8 million for the year ended 31 December 2020.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company decreased from RMB139.2 million for the year ended 31 December 2019 to RMB73.8 million for the year ended 31 December 2020.

Liquidity and capital resources

As at 31 December 2020, the Group had total assets of approximately RMB433.2 million (2019: RMB465.2 million) and total borrowings of approximately RMB193.6 million (2019: RMB169.1 million), representing a gearing ratio, defined as total borrowings over total assets, of approximately 44.7% (2019: 36.4%).

The Group had net current liabilities of approximately RMB32.8 million (2019: RMB20.0 million), calculated from the current assets of approximately RMB67.9 million (2019: RMB67.7 million) and current liabilities of approximately RMB100.7 million (2019: RMB87.7 million), representing a current ratio of approximately 0.7 (2019: 0.8).

As at 31 December 2020, the Group had cash and bank balances of approximately RMB14.3 million, including restricted cash of RMB1.4 million (2019: RMB10.9 million).

Going concern

During year ended 31 December 2020, the Group reported a net loss of RMB74,539,000 and had a net cash outflow from operating activities of RMB6,339,000. As at 31 December 2020, the Group's current liabilities exceeds its current assets by RMB32,728,000 while it had cash and cash equivalents of approximately RMB12,889,000.

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 and is confident that the Group's operation will be recovered in 2021.

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.

In order to improve the Group's financial position, the directors of the Company have been implementing various measures as set out in Note 2.1 to the consolidated financial statements, including the commencement of commercial operations of projects to generate income and operating cashflows, obtaining the letter of support from the major shareholder, renewing of bank facilities, raising funds through placement of the Company's shares, cost-control measures, expedition in debt collection, generating sufficient inflow from the sales of properties held for sale and deference of discretionary capital expenditure.

The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value 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. The effect of these adjustments has not been reflected in the consolidated financial statements.

Cash flows used in operating activities

For the year ended 31 December 2020, net cash used in operating activities amounted to RMB6.3 million, primarily attributable to the loss before income tax for the year amounted to RMB93.2 million and partially offset by non-cash items, which primarily included (i) net loss on disposal of property, plant and equipment amounted to RMB6.5 million; (ii) provision for impairment of intangible assets amounted to RMB21.6 million, (iii) finance costs of RMB18.4 million; and (iv) depreciation and amortisation of RMB11.7 million.

Cash flows used in investing activities

For the year ended 31 December 2020, net cash used in investing activities amounted to RMB13.7 million, resulted primarily from payment for acquisition of subsidiaries, net of cash acquired of RMB12.7 million.

Cash flows generated from financing activities

For the year ended 31 December 2020, net cash generated from financing activities amounted to RMB23.2 million, mainly attributable to the drawdown of bank borrowings of RMB15.4 million and net proceeds from issuance of ordinary shares of RMB13.8 million.

Capital expenditures

Capital expenditures incurred during the year are mainly for the purchase or construction costs related to properties, plant and equipment. Capital expenditures were RMB31.0 million and RMB1.0 million for the years ended 31 December 2019 and 2020, respectively.

Trade receivables – net

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

Trade receivables decreased by 42.7% from RMB9.6 million as at 31 December 2019 to RMB5.5 million as at 31 December 2020. Such decrease was mainly attributable to the increase in provision for impairment of trade receivables by RMB6.1 million.

Properties held for sale

As at 31 December 2020, properties held for sale amounted to approximately RMB24.3 million (2019: RMB25.4 million). The properties in the PRC were received in exchange of advertising services to real estate developers in the PRC. The Group's intention is to sell these properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the advertising sales transaction if the related properties are ready to be sold.

Management assessed the fair value less costs to sell of the properties with reference to their market value with the assistance of an independent property valuer. For the year ended 31 December 2020, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary (2019: Nil).

Trade payables

The aging analysis of the Group's trade payables based on invoice dates is set out in Note 11. Trade payables increased from approximately RMB8.1 million as at 31 December 2019 to RMB11.8 million as at 31 December 2020. Trade payables turnover days increased from 55 days for the year ended 31 December 2019 to 168 days for the year ended 31 December 2020 due to significant decrease of purchases in sales of agricultural products.

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 and a further prepayment of RMB15,470,000 was made by the Group to Xiamen Information Group Ltd. for the properties. The mortgage loans are secured by the ownership rights of the properties and the personal guarantees of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group respectively. Total consideration for the properties is RMB22,164,000, of which the initial down payment of RMB6,694,000 was paid by the Group during the year ended 31 December 2014.

As at 31 December 2020, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest of 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the year was 7.40% (2019: 7.31%) 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, the Chairman, the Chief Executive Officer, an Executive Director and a shareholder of the Company. The convertible bond has a term of 3 years. The effective interest rate for the period is 11.5% per annum. As at 31 December 2020, 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 revolving bank borrowing amounted to RMB5,900,000. The revolving bank borrowing was drawn on 17 April 2020. The balance is secured by the ownership right of the Group's properties, carries an interest rate at 4.0% per annum with a term of 1 year. The balance is denominated in RMB.

(d) 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.

Gearing ratio, being the proportion of the Group's total borrowings to total assets, increased from 36.4% for the year ended 31 December 2019 to 44.7% for the year ended 31 December 2020.

Commitments

(a) Operating lease commitments – as a lessor

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not later than 1 year	**1,205**	2,000
Later than 1 year and not later than 5 years	**5,323**	4,000
More than five years	**1,466**	–
	7,994	6,000

(b) Capital commitments

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

	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Property, plant and equipment	**4,266**	4,266

Contingent liabilities

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

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

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

Human resources

As at 31 December 2020, the Group had 261 full-time employees (2019: 257). Total staff costs including directors' remuneration for the year ended 31 December 2020 were RMB31.5 million (2019: RMB44.3 million).

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

The Company operates an employee share option scheme, the purpose of which is to incentivise or reward eligible individuals who provide services to the Company for their contributions and their continuing efforts to promote the interests of the Company, and for other purposes as the Board may approve from time to time. The employee share option scheme lapsed in November 2020.

Prospects

China's GDP maintained positive growth in 2020, indicating that China's economy remains resilient. Chinese officials also set the economic growth target for 2021 at more than 6%. In addition, the Central Economic Work Conference pointed out that in 2021, China will stick to the strategic basis of expanding domestic demand, and will make systematic arrangements in terms of promoting employment, improving social security, optimizing income distribution structure, and rationally increasing public consumption.

With the introduction of favorable policies, it is expected that in 2021, the consumer market will continue to accelerate the recovery, the scale of commodity consumption will further expand, China is expected to become the world's largest consumer of commodities, the proportion of service consumption will further increase, and 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 world film industry is marching towards the digital industry era. Innovative technologies such as 5G, mobile Internet, and digital information have provided strong support for the development of the film and television cultural industry. Take the Spring Festival holiday in 2021 as an example, the movie box office has recorded RMB7.822 billion, and Chinese films and TV series have begun to move towards higher quality.

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 and is confident that the Group's operation will be recovered in 2021.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2020.

CORPORATE GOVERNANCE CODE

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

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

During the year under review, Mr. Chen Zhi acted as the Chairman and the CEO of the Company.

Code Provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Board met regularly to consider and review the major and appropriate issues which may affect the operations of the Company arising from the overlap of chairman and CEO. As such, the Board considers that the sufficient measures had been taken, and that either the overlap of chairman and CEO should not impair the balance of power and authority between the Board and the management.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made with all the incumbent directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended to 31 December 2020.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee consists of three independent non-executive directors of the Company, namely Mr. Wong Heung Ming, Henry, Mr. Zhou Chang Ren, and Mr. Cai Jianquan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated financial statements for the year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2020.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the Year has not been completed as it takes more time for the Company to provide further evidence to our auditors to enable them to assess the going concern of the Group. The unaudited results contained herein have not been agreed by the Company's auditors. Due to the reasons set out in the section headed "Going Concern" above in this announcement, there are events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Since the audit of the Group's consolidated financial statements has not been completed, it is uncertain, as at the date of this announcement, whether our auditors would issue a modified report to the consolidated financial statements in this regard. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board. The Company currently expects that the auditing process should be completed on or before 16 April 2021.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the Year as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting (the "**2021 AGM**") will be held, and (iii) the period during which the register of members will be closed for the purpose of ascertaining shareholders' eligibility to attend and vote at the 2021 AGM.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The unaudited annual results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). Due to the delay in the completion of the financial reporting and auditing works, the Company currently expects that the annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites on or before 30 April 2021.

SUSPENSION OF TRADING IN SHARES

Pursuant to the requirements of Rule 13.50 of the Listing Rules, if the issuer fails to publish periodic financial information in accordance with the Listing Rules, the Stock Exchange will normally require suspension of trading in securities of the issuer, and the suspension will normally remain in force until the issuer publishes an announcement containing the required financial information. Trading in the shares of the Company on The Stock Exchange of Hong Kong Limited will be suspended from 9:00 a.m. on 31 March 2021, pending the publication of the audited results of the Group for the year ended 31 December 2020.

WARNING STATEMENT

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

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

Hong Kong, 30 March 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.