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SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

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

(Stock code: 1831)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 109.8% from RMB126.4 million for the year ended 31 December 2020 to RMB265.2 million for the year ended 31 December 2021.
- The gross profit of the Group increased by 56.7% from RMB13.9 million for the year ended 31 December 2020 to RMB21.7 million for the year ended 31 December 2021.
- The Group recorded a net loss of RMB188.9 million for the year ended 31 December 2021, which is mainly attributable to provision for impairment on goodwill and other intangible assets, property, plant and equipment and right-of-use assets.
- The Group recorded a basic loss of RMB0.2029 per share for the year ended 31 December 2021 as compared to RMB0.0889 for the year ended 31 December 2020.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

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 2021 together with the comparative figures for the year of 2020.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2021 but represents an extract from the Group's unaudited consolidated financial statements. For the reasons explained in the Paragraph headed "Review of Unaudited Annual Results" in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed. These unaudited consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**"), but have not been agreed with the Company's auditors.

CONSOLIDATED BALANCE SHEET

As at 31 December 2021

	Note	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**39,822**	51,058
Investment properties		**–**	26,681
Right-of-use assets		**3,241**	5,211
Intangible assets	*5*	**36,958**	201,808
Prepayments, deposits and other receivables		**20,785**	80,544
		100,806	365,302
Current assets			
Biological assets		**119**	211
Inventories		**917**	894
Properties held for sale	*6*	**22,793**	24,255
Financial assets at fair value through profit or loss		**7,432**	6,564
Trade receivables – net	*7*	**7,004**	5,461
Contract assets – net		**2,419**	3,520
Prepayments, deposits and other receivables		**62,088**	11,513
Amounts due from related parties		**–**	1,273
Restricted cash		**935**	1,363
Cash and cash equivalents		**8,851**	12,889
		112,558	67,943
Assets classified as held for sale		**26,681**	–
		139,239	67,943
Total assets		**240,045**	433,245

	Note	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**8,065**	7,769
Share premium		**55,796**	48,820
Other reserves		**191,702**	191,363
Accumulated deficits		**(381,189)**	(193,722)
		(125,626)	54,230
Non-controlling interests		**6,106**	7,502
Total (deficit)/equity		**(119,520)**	61,732
LIABILITIES			
Non-current liabilities			
Lease liabilities		**4,694**	5,177
Other payables		**–**	52,000
Deferred income tax liabilities		**888**	45,517
Convertible bonds		**–**	168,148
Loan from a shareholder		**1,500**	–
		7,082	270,842
Current liabilities			
Trade payables	*8*	**12,790**	11,781
Other payables, accrued expenses and contract liabilities		**123,764**	48,346
Financial guarantees		**865**	1,110
Lease liabilities		**2,036**	2,438
Borrowings		**6,350**	17,860
Current income tax liabilities		**5,851**	5,830
Convertible bonds		**181,356**	–
Amounts due to related parties		**19,471**	13,306
		352,483	100,671
Total liabilities		**359,565**	371,513
Total equity and liabilities		**240,045**	433,245

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Audited)
Revenue	*3*	**265,158**	126,384
Cost of sales		**(243,429)**	(112,514)
Gross profit		**21,729**	13,870
Selling and marketing expenses		**(26,253)**	(7,853)
General and administrative expenses		**(40,833)**	(56,730)
Net fair value gain on financial assets at fair value through profit or loss		**868**	399
Net change in provision for impairment of financial and contract assets		**1,796**	(6,107)
Provision for impairment on goodwill and other intangible assets		**(161,318)**	(21,546)
Provision for impairment on property, plant and equipment		**(8,818)**	–
Provision for impairment on right-of-use assets		**(1,550)**	–
Other income		**950**	2,944
Other gain – net		**119**	211
Operating loss		**(213,310)**	(74,812)
Finance income		**53**	59
Finance costs		**(19,959)**	(18,413)
Finance costs – net		**(19,906)**	(18,354)
Loss before income tax	*9*	**(233,216)**	(93,166)
Income tax credit	*10*	**44,352**	18,627
Loss for the year		**(188,864)**	(74,539)
Loss attributable to:			
– Owners of the Company		**(187,468)**	(73,784)
– Non-controlling interests		**(1,396)**	(755)
		(188,864)	(74,539)

	Note	**2021**	2020
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Other comprehensive income			
Item 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
Item that may be reclassified to profit or loss			
Currency translation differences		**1,724**	4,667
Other comprehensive income for the year		**1,724**	7,296
Loss and total comprehensive loss for the year		**(187,140)**	(67,243)
Loss and total comprehensive loss attributable to:			
– Owners of the Company		**(185,744)**	(66,488)
– Non-controlling interests		**(1,396)**	(755)
		(187,140)	(67,243)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	*11*	**(0.2029)**	(0.0889)
– Diluted *(RMB per share)*	*11*	**(0.2029)**	(0.0889)

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 changed 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 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.

These unaudited consolidated financial statements for the year ended 31 December 2021 are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These unaudited consolidated financial statements have been approved for issue by the Board of Directors on 31 March 2022.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

The preparation of unaudited consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are to be included in 2021 annual report.

Going concern

During year ended 31 December 2021, the Group reported a net loss of RMB188,864,000 and had a net cash outflow from operating activities of RMB5,427,000. As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB213,244,000 and the Group had a deficit in equity attributable to owners of the Company of RMB125,626,000.

As at 31 December 2021, the Group's current borrowings amounted to RMB187,706,000 in total, including RMB181,356,000 convertible bonds owned by the major shareholder in Hong Kong and RMB6,350,000 bank borrowings in the PRC, while it had cash and cash equivalents of approximately RMB8,851,000 only.

Subsequent to 31 December 2021, the Group failed to repay a bank in accordance with the scheduled repayment dates of the underlying bank borrowings agreement (the "**Overdue Bank Borrowings**"), including principal of RMB3,900,000 and interest of RMB6,000. The Overdue Bank Borrowings are secured by the Group's property, plant and equipment with a carrying value of RMB6,928,000.

The Group is in active negotiation with the bank in respect of the Overdue Bank Borrowings for renewal, extension and replacement of the relevant bank borrowings and the directors are confident that agreements will be reached in due course.

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 recover in 2022.

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

The directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the unaudited consolidated financial statements for the year ended 31 December 2021. 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 a company wholly-owned by the major shareholder on 1 August 2021 and RMB1,500,000 had been drawn on 16 August 2021. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5%. In addition, the major shareholder has issued a letter of financial support to the Company for a period of eighteen months from 31 December 2021 to enable the Group to meet liabilities as they fall due and carry on business without a significant curtailment of operations;

(ii) The Group entered into a sale and purchase agreement with an independent third party, during the year ended 31 December 2021, pursuant to which certain of the Group's properties will be sold at consideration of RMB28,000,000 and the relevant properties had been classified as assets classified as held for sale as at 31 December 2021. During the year, the Group received down payment amounted to RMB8,539,000. Subsequent to 31 December 2021, the Group received further down payment amounted to RMB2,821,000. The transaction was expected to be completed and the remaining consideration will be settled in second quarter of 2022.

(iii) The Group is in final negotiation with the convertible bond subscriber, a company wholly-owned by the major shareholder, for extension of the amount due under the convertible bonds at maturity in the amount of RMB181,356,000 as at 31 December 2021. The convertible bond will be due on 22 April 2022 and the extension is expected to be completed by then;

(iv) The Group has obtained a written confirmation 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 RMB19,248,000 for the next eighteen months from 31 December 2021;

(v) The Group is in active negotiation with bank lenders for renewal, extension and replacement of the Overdue Bank Borrowing;

(vi) 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 2022 and starts to generate income and operating cash inflows to the Group;

(vii) 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; and

(viii) 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 unaudited consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties 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 draw down of the above-mentioned facility from the major shareholder as and when necessary;

(ii) Completion of sale and purchase agreement for disposal of properties and receipt of the remaining sales proceeds from the independent third party on a timely basis;

(iii) Successful negotiations with convertible bond subscriber for the conversion of the convertible bonds or the extension of repayment of the amount due under the convertible bonds at maturity;

(iv) Successful negotiations with the banks for the renewal of or extension for repayment for the Overdue Bank Borrowings and other bank borrowings might become overdue in year 2022;

(v) 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;

(vi) Successful in raising funds through placement of the Company's shares to finance the Group's working capital and capital investment;

(vii) 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

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

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

2.2 New and amended standards

(i) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2021.

IFRS 16 (Amendments)	COVID-19-related Rental Concession
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The Group has assessed the impact of the adoption of these amended standards and considered that there was no significant impact on the Group's results and financial position.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2021 reporting periods 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.

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 RMB141,687,000 for the year ended 31 December 2021 (2020: RMB56,552,000). An analysis of the Group's revenue for the year is as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Newspaper and public vehicles advertising	**13,299**	10,150
Marketing and consulting services	**75,243**	55,084
Printing services	**4,180**	4,328
Sales of agricultural products	**171,654**	56,167
Others	**782**	655
	265,158	126,384

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Timing of revenue recognition		
– At a point in time	**263,373**	124,033
– Over time	**1,470**	2,213
– Under IFRS 16	**315**	138
	265,158	126,384

During the year ended 31 December 2021 and 2020, revenue derives from Customer A of the Group amounted to RMB66,930,000 which accounted for more than 10% of the Group's revenue (2020: RMB39,282,000 from Customer A).

Assets and liabilities related to contracts with customers

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets *(Note (i))*	**2,542**	3,639
Less: Provision for impairment *(Note (ii))*	**(123)**	(119)
Contract assets – net	**2,419**	3,520
Contract liabilities *(Note (iii))*	**19,194**	9,741
Total contract liabilities	**19,194**	9,741

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 2021, a provision of RMB123,000 (2019: RMB119,000) 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.

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue recognised that was included in the contract liability balance at the beginning of the year	**2,421**	735

(iv) Unsatisfied performance obligations

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Newspaper advertising services	**7,417**	8,032

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 2021, the Executive Directors considered the nature of the Group's business and determined that the Group has two reportable operating segments as follows:

(i) Publishing and advertising segment, which mainly included provision of the 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 2021.

Unaudited	**Tourism and integrated developments** *RMB'000*	**Publishing and advertising** *RMB'000*	**Total** *RMB'000*
Segment revenue from external customers	**172,103**	**93,055**	**265,158**
Timing of revenue recognition for revenue			
At a point in time	**172,103**	**91,270**	**263,373**
Over time	**–**	**1,170**	**1,170**
Under IFRS16	**–**	**615**	**615**
Segment results	**(188,940)**	**(25,439)**	**(214,379)**
Other income			**950**
Other gain – net			**119**
Finance costs – net			**(19,906)**
Loss before income tax			**(233,216)**
Income tax credit			**44,352**
Loss for the year			**(188,864)**

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

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.

Audited	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 gain – net			211
Finance costs – net			(18,354)
Loss before income tax			(93,166)
Income tax credit			18,627
Loss for the year			(74,539)

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

5 Intangible assets

	Computer software RMB'000	Non-compete agreement RMB'000	Goodwill RMB'000 Note (a)	Customer relationships RMB'000	Trademark RMB'000	Web site RMB'000	Right to a land lease RMB'000 Note (b)	Township operation right RMB'000	Exclusive operating right RMB'000	Total RMB'000
Audited										
Year ended 31 December 2020										
Opening net carrying amount	59	–	3,955	–	–	–	185,511	26,824	–	216,349
Acquisition of a subsidiary	–	–	7,253	–	–	–	–	–	5,582	12,835
Amortisation *(Note 9)*	(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)	–	(14,500)	(7,135)	(8,476)	(12,685)	(1,883)	(362)	(59,221)
Accumulated impairment losses	(411)	–	(78,631)	–	(2,265)	–	(21,546)	–	–	(102,853)
Net carrying amount	55	–	11,208	–	–	–	159,208	26,117	5,220	201,808

	Computer software ***RMB'000***	**Non-compete agreement** ***RMB'000***	**Goodwill** ***RMB'000*** *Note (a)*	**Customer relationships** ***RMB'000***	**Trademark** ***RMB'000***	**Web site** ***RMB'000***	**Right to a land lease** ***RMB'000*** *Note (b)*	**Township operation right** ***RMB'000***	**Exclusive operating right** ***RMB'000***	**Total** ***RMB'000***
Unaudited										
Year ended 31 December 2021										
Opening net carrying amount	**55**	**–**	**11,208**	**–**	**–**	**–**	**159,208**	**26,117**	**5,220**	**201,808**
Additions	**35**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**35**
Amortisation *(Note 9)*	**(8)**	**–**	**–**	**–**	**–**	**–**	**(1,982)**	**(707)**	**(870)**	**(3,567)**
Impairment	**–**	**–**	**(4,092)**	**–**	**–**	**–**	**(157,226)**	**–**	**–**	**(161,318)**
Closing net carrying amount	**82**	**–**	**7,116**	**–**	**–**	**–**	**–**	**25,410**	**4,350**	**36,958**
At 31 December 2021										
Cost	**3,181**	**11,500**	**89,839**	**14,500**	**9,400**	**8,476**	**193,439**	**28,000**	**5,582**	**363,917**
Accumulated amortisation	**(2,688)**	**(11,500)**	**–**	**(14,500)**	**(7,135)**	**(8,476)**	**(14,667)**	**(2,590)**	**(1,232)**	**(62,788)**
Accumulated impairment losses	**(411)**	**–**	**(82,723)**	**–**	**(2,265)**	**–**	**(178,772)**	**–**	**–**	**(264,171)**
Net carrying amount	**82**	**–**	**7,116**	**–**	**–**	**–**	**–**	**25,410**	**4,350**	**36,958**

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

Notes:

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

	Opening	**Acquisition of a subsidiary**	**Impairment**	**Net carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unaudited				
As at 31 December 2021				
Public vehicles advertising project in Fuzhou *(Note (i))*	7,253	–	(4,092)	3,161
Cooperative project in Yongfu Town *(Note (ii))*	3,955	–	–	3,955
	11,208	–	(4,092)	7,116
Audited				
As at 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

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 higher of value in use and the fair value less costs of disposal was higher than the carrying amount of the CGU.

As at 31 December 2021, due to the changes in market conditions, the management has revised its business plan of this CGU and determined to make a provision for impairment of goodwill in the amount of RMB4,092,000 based on the estimated recoverable amount of the CGU.

(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 2021 and 2020, management of the Group determined that there was no impairment of the CGU to which the goodwill has been allocated.

(b) Beijing Fanxing Travel Co., Ltd. ("Beijing Fanxing"), a wholly owned subsidiary of the Group, has entered into a lease agreement with the landlord, the land owner of the project site for the Beijing Shihua Caves Niaoyulin Project. The landlord filed a claim against Beijing Fanxing claiming that Beijing Fanxing failed to fulfil its responsibilities under the strategic cooperative agreement and seeking to rescind the strategic cooperative agreement and the lease agreement entered into between Beijing Fanxing and the landlord.

During the year ended 31 December 2020, the impairment charge of RMB23,142,000 arose in the Beijing Shihua Caves Niaoyulin Project CGU has been determined after taking into consideration the independent external lawyers' opinion in relation to the likelihood of occurrence of the possible outcomes of the litigation as of 31 December 2020 based on the information obtained at the relevant stage of the litigation, including related legal correspondence.

During the year ended 31 December 2021, the Group has received the judgement from the court that it was required to rescind the lease agreement. Management has taken into consideration the outcome of the litigation and hence, made an impairment charge of RMB8,818,000, RMB1,550,000 and RMB157,226,000 against the property plant and equipment, right-of-use assets and intangible assets respectively during the year ended 31 December 2021.

6 Properties held for sale

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Properties held for sale	**22,793**	24,255

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 2021, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary (2020: Nil).

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

7 Trade receivables – net

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**14,502**	14,759
Less: provision for impairment of trade receivables	**(7,498)**	(9,298)
Trade receivables – net	**7,004**	5,461

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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 – 30 days	**4,949**	3,160
31 – 60 days	**1,466**	493
61 – 90 days	**53**	256
91 – 180 days	**731**	917
181 – 365 days	**393**	3,731
Over 1 year	**6,910**	6,202
	14,502	14,759
Less: provision for impairment of trade receivables	**(7,498)**	(9,298)
Trade receivables – net	**7,004**	5,461

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 2021, trade receivables of RMB7,498,000 (2020: RMB9,298,000) were impaired and provided for. For the year ended 31 December 2021, the amounts of the reversal of provision credited to the unaudited consolidated statement of comprehensive income were RMB1,800,000 (2020: the amounts of the provision charged to the unaudited consolidated statement of comprehensive income were RMB6,135,000).

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 2021, recovery of previously written-off of trade receivables of RMB35,000 were credited (2020: written-off of RMB2,000,000 were charged) to the unaudited consolidated statement of comprehensive income.

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**9,298**	3,163
Net change in provision for impairment of trade receivables	**(1,800)**	6,135
At 31 December	**7,498**	9,298

The Group does not hold any collateral as security.

8 Trade payables

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**12,790**	11,781

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:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
1 – 30 days	**1,006**	2,593
31 – 90 days	**5,896**	909
Over 90 days	**5,888**	8,279
	12,790	11,781

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

9 Expenses by nature

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cost of newspaper and public vehicles advertising		
– Media costs	**9,265**	5,557
Cost of printing services:		
– Raw materials	**1,875**	1,853
– Other costs	**668**	408
Cost of sales of agricultural products	**154,698**	50,778
Depreciation on property, plant and equipment	**3,823**	4,911
Depreciation on right-of-use assets	**930**	946
Amortisation *(Note 5)*	**3,567**	5,830
Auditor's remuneration	**3,474**	3,821
Marketing expenses	**24,080**	6,366
Operating lease charges in respect of land and buildings	**1,270**	634
Net loss on disposal of property, plant and equipment	**123**	6,533
Gain on disposals of properties held for sale	**(49)**	(203)
Net change in provision for impairment of trade receivables *(Note 7)*	**(1,800)**	6,135
Net change in provision for impairment of financial guarantee	**(245)**	(408)
Net change in provision for impairment of contract assets	**4**	(28)
Legal and professional fee	**1,828**	827
(Recovery of previously written-off)/written-off of trade receivables	**(35)**	2,000
Net foreign exchange losses	**1,983**	3,671
Employee benefit expenses (including directors' emoluments)	**27,125**	31,485

10 Income tax credit

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**(277)**	(48)
– Over provision in prior years	**–**	11,507
	(277)	11,459
Deferred income tax credit	**44,629**	7,168
	44,352	18,627

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2021 and 2020.

11 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.

	2021 **(Unaudited)**	2020 (Audited)
Loss attributable to owners of the Company *(RMB'000)*	**(187,468)**	(73,784)
Weighted average number of shares in issue, including bonus element *(thousands)*	**923,922**	829,830
Basic loss per share *(RMB per share)*	**(0.2029)**	(0.0889)

(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 2021 (2020: same).

12 Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2021 (the "**Period under Review**"), despite the novel coronavirus (the "epidemic") outbreak had triggered global economic recession, however, with improved epidemic prevention and control, together with the policies stimulating the consumption, various business activities were gradually lifted from lockdowns, and markets and industries progressively resumed business operation and production. The global economy began to show signs of recovery from the impacts of the epidemic. In 2021, China continued to maintain a global leading position in terms of epidemic prevention and control and economic and social development through its scientific coordination of epidemic prevention and had successfully achieved its principal targets and tasks set at the beginning of the year. The contribution rate of final consumption and net exports to economic growth throughout the year was significantly higher than the pre-epidemic period. The industrial economy maintained a steady bounce-back momentum, while the recovery of service industry was subject to the greater impact and fluctuation with differentiated structure. The impact of the epidemic on China's economy was temporary and ought not change the fundamentals of China's long-term and sound economic expansion. In 2021, China's gross domestic product (GDP) was RMB114,366.97 billion, representing a year-on-year increase of 8.1%, with an average growth rate of 5.1% for the two years. From the quarterly perspective, the first quarter went up by 18.3% year-on-year while second quarter increased by 7.9% year-on-year, third quarter rose by 4.9% year-on-year, and fourth quarter grew by 4% year-on-year.

2021 is a critical year for recovery after the epidemic, and the advertising market experienced a sound recovery growth with occasional epidemic disturbance. According to the continuous advertising monitoring database of CTR, the overall domestic advertising market in 2021 increased by 11.2% year-on-year, and various channels showed a recovery trend with modest improvement except for traditional outdoor advertising. Expenses on television, radio, elevator LCD and elevator poster advertisements continued to rise, representing a year-on-year increase of 1.3%, 3.4%, 31.5% and 32.4%, respectively. The video advertising expenses in cinema experienced a recovery growth to 253.2%, and the expenses on traditional outdoor advertising, newspapers, magazine went down further by 13.6%, 22% and 7.8% year-on-year respectively. From the industry perspective, advertising expenditures in industries such as pharmaceuticals, cosmetics, bathroom products and personal supplies recorded a remarkable increase year-on-year.

In 2021, the film market in Mainland China continued to lead the world. As the first year after the epidemic had become stabilised, total box office of Chinese films in 2021 reached RMB47.258 billion, recovering to 74% of the pre-epidemic level. In terms of content supply, a total of 697 films were shown for the year, reaching historic high. The lower tier market continued to expand, and for the first time, representing a share of approaching 40% in third– and fourth-tier cities. Of which, the fourth-tier cities, in particular, recovered relatively quicker after the epidemic, with yearly movie-goers exceeded the first– and third-tier cities.

Business Review

For the twelve months ended 31 December 2021, the Group recorded a revenue of RMB265.2 million in its principal business (2020: RMB126.4 million). Gross profit was RMB21.7 million (2020: RMB13.9 million), and gross profit margin decreased from 11.0% in 2020 to 8.2% in 2021. Net loss after taxation increased to approximately RMB188.9 million (2020: RMB74.5 million).

Newspapers and Public Vehicles Advertising

During the period, the business environment remained challenging in the print media market as the market continued to be hit by new online media. Together with the intense competition from new media and the Internet, the speed of transformation of the advertising industry has intensified, the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory. The public vehicles advertising mainly generates revenue from TV advertisements on public vehicles. For the twelve months ended 31 December 2021, newspapers and public vehicles advertising contributed RMB13.3 million to the Group's revenue (2020: RMB10.2 million), with a gross profit margin of 30.3%.

Marketing and Consulting Services and Printing Services

For the twelve months ended 31 December 2021, the Group's revenue from marketing and consulting services was approximately RMB75.2 million, representing an increase of 36.6% as compared with 2020, while gross profit margin was 3.6%. The revenue from printing services was RMB4.2 million, approximate to that of the corresponding period in 2020, with a gross profit margin of 19.9%.

Sales of Agricultural Products

For the twelve months ended 31 December 2021, the Group's revenue from sales of agricultural products was approximately RMB171.7 million (2020: RMB56.2 million), while gross profit margin was 9.9%. 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.

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.

FINANCIAL REVIEW

Revenue

Total revenue increased by 109.8% from RMB126.4 million for the year ended 31 December 2020 to RMB265.2 million for the year ended 31 December 2021, primarily due to the increased revenue from the sales of agricultural products. Revenue from marketing and consulting services increased from RMB55.1 million for the year ended 31 December 2020 to RMB75.2 million for the year ended 31 December 2021. Revenue from newspaper and public vehicle advertising increased from RMB10.2 million for the year ended 31 December 2020 to RMB13.3 million for the year ended 31 December 2021. Revenue from the sales of agricultural products increased from RMB56.2 million for the year ended 31 December 2020 to RMB171.7 million for the year ended 31 December 2021. Revenue from printing services decreased slightly from RMB4.3 million for the year ended 31 December 2020 to RMB4.2 million for the year ended 31 December 2021.

Gross profit and gross profit margin

Gross profit increased by 56.7% from RMB13.9 million for the year ended 31 December 2020 to RMB21.7 million for the year ended 31 December 2021. Gross profit margin decreased from 11.0% in 2020 to 8.2% in 2021, which was primarily attributable to the increase in sales of agricultural products which generally had lower gross profit margin.

Other income

Other income decreased from RMB2.9 million for the year ended 31 December 2020 to RMB1.0 million for the year ended 31 December 2021, mainly due to the decrease in government grant of RMB2.2 million in the year.

Selling and marketing expenses

Selling and marketing expenses increased by 234.3% from RMB7.9 million for the year ended 31 December 2020 to RMB26.3 million for the year ended 31 December 2021, mainly due to the increased selling and marketing expenses of the sales of agricultural products.

General and administrative expenses

General and administrative expenses decreased by 28.0% from RMB56.7 million for the year ended 31 December 2020 to RMB40.8 million for the year ended 31 December 2021, mainly due to (i) decrease in amortisation of intangible assets of RMB2.3 million; (ii) decrease in foreign exchange losses from RMB3.7 million to RMB2.0 million; and (iii) decrease in net loss on disposal of property, plant and equipment of RMB6.4 million.

Loss before income tax

As a result of (i) the provision for impairment on goodwill and other intangible assets, property, plant and equipment and right-of-use assets; and (ii) the decrease in net change in provision for impairment of financial and contract assets, loss before income tax for the year ended 31 December 2021 was RMB233.2 million, representing an increase of 150.3% as compared to loss before income tax of RMB93.2 million for the year ended 31 December 2020.

Loss for the year

The Group recorded a net loss for the year of RMB188.9 million for the year ended 31 December 2021, representing an increase of 153.4% as compared to loss for the year of RMB74.5 million for the year ended 31 December 2020. Increase in loss for the year was mainly attributable to the increase in one-off provision for impairment on goodwill and other intangible assets, property, plant and equipment and right-of-use assets for the year ended 31 December 2021.

Loss attributable to non-controlling interests

As a result of the above factors, loss attributable to non-controlling interests increased from RMB0.8 million for the year ended 31 December 2020 to RMB1.4 million for the year ended 31 December 2021.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company increased from RMB73.8 million for the year ended 31 December 2020 to RMB187.5 million for the year ended 31 December 2021.

Liquidity and capital resources

As at 31 December 2021, the Group had total assets of approximately RMB240.0 million (2020: RMB433.2 million) and total borrowings and lease liabilities totalling approximately RMB195.9 million (2020: RMB193.6 million), representing a gearing ratio, defined as total borrowings over total assets, of approximately 81.6% (2020: 44.7%).

The Group had net current liabilities of approximately RMB213.2 million (2020: RMB32.8 million), calculated from the current assets of approximately RMB139.2 million (2020: RMB67.9 million) and current liabilities of approximately RMB352.5 million (2020: RMB100.7 million), representing a current ratio of approximately 0.4 (2020: 0.7).

As at 31 December 2021, the Group had cash and bank balances of approximately RMB9.8 million (2020: RMB14.3 million), including restricted cash of RMB0.9 million.

Going concern

During year ended 31 December 2021, the Group reported a net loss of RMB188,864,000. As at 31 December 2021, the Group's current liabilities exceeded its current assets by RMB213,244,000 and the Group had a deficit in equity attributable to owners of the Company of RMB125,626,000.

As at 31 December 2021, the Group's current borrowings amounted to RMB187,706,000 in total, including RMB181,356,000 convertible bonds owned by the major shareholder in Hong Kong and RMB6,350,000 bank borrowings in the PRC, while it had cash and cash equivalents of approximately RMB8,851,000 only.

Subsequent to 31 December 2021, the Group failed to repay a bank in accordance with the scheduled repayment dates of the underlying bank borrowings agreement (the "**Overdue Bank Borrowings**"), including principal of RMB3,900,000 and interest of RMB6,000. The Overdue Bank Borrowings are secured by the Group's property, plant and equipment with a carrying value of RMB6,928,000.

The Group is in active negotiation with the bank in respect of the Overdue Bank Borrowings for renewal, extension and replacement of the relevant bank borrowings and the directors are confident that agreements will be reached in due course.

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 2022.

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 unaudited consolidated financial statements, including disposal of properties, the commencement of commercial operations of projects to generate income and operating cashflows, obtaining the letter of support from the major shareholder, negotiating with the bank for renewal 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 unaudited consolidated financial statements.

Cash flows used in operating activities

For the year ended 31 December 2021, net cash used in operating activities amounted to RMB5.4 million, primarily attributable to the loss before income tax for the year amounted to RMB233.2 million and partially offset by non-cash items, which primarily included (i) provision for impairment of intangible assets amounted to RMB161.3 million, (ii) provision impairment of property, plant and equipment of RMB8.8 million, (iii) finance costs of RMB20.0 million; and (iv) depreciation and amortisation of RMB8.4 million.

Cash flows used in investing activities

For the year ended 31 December 2021, net cash generated from investing activities amounted to RMB13.1 million, resulted primarily from advance payment for assets classified as held for sale of RMB8.5 million, refunded of long term prepayment of RMB6.2 million and offset by the payment for property, plant and equipment of RMB1.6 million.

Cash flows generated from financing activities

For the year ended 31 December 2021, net cash used in financing activities amounted to RMB11.7 million, mainly attributable to the repayment of bank borrowings of RMB12.0 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 RMB1.0 million and RMB1.4 million for the years ended 31 December 2020 and 2021, respectively.

Trade receivables – net

The aging analysis of the Group's trade receivables based on invoice dates is set out in Note 7 to the unaudited consolidated financial statements.

Trade receivables increased by 28.3% from RMB5.5 million as at 31 December 2020 to RMB7.0 million as at 31 December 2021. Such increase was mainly attributable to more revenue generated during the year in general and particularly near year end.

Prepayments, deposits and other receivables

The non-current prepayments, deposits and other receivables decreased by 74.2% from RMB80.5 million as at 31 December 2020 to RMB20.8 million as at 31 December 2021 while the current prepayments, deposits and other receivables increased by 440% from RMB11.5 million as at 31 December 2020 to RMB62.1 million as at 31 December 2021, mainly due to the reclassification of deposits for marketing and promotion contracts of RMB52.0 million from non-current assets to current assets.

Properties held for sale

As at 31 December 2021, properties held for sale amounted to approximately RMB22.8 million (2020: RMB24.3 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 2021, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary based on the preliminary valuation of the valuer (2020: Nil).

Trade payables

The aging analysis of the Group's trade payables based on invoice dates is set out in Note 8. Trade payables increased from approximately RMB11.8 million as at 31 December 2020 to RMB12.8 million as at 31 December 2021. Trade payables turnover days decreased from 168 days for the year ended 31 December 2020 to 30 days for the year ended 31 December 2021 due to significant increase of purchases of agricultural products for sales.

Other payables, accrued expenses and contract liabilities

The non-current other payables decreased by 100% from RMB52.0 million as at 31 December 2020 to nil as at 31 December 2021 while the current other payables, accrued expenses and contract liabilities increased by 156% from RMB48.3 million as at 31 December 2020 to RMB123.8 million as at 31 December 2021, mainly due to the reclassification of other payables for marketing and promotion contracts of RMB52.0 million from non-current liabilities to current liabilities.

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 ended 31 December 2020 was 7.40% per annum. The mortgage loans were repaid in October 2021.

(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 2021, the outstanding principal amount of the convertible bond was approximately RMB170,200,000.

(c) During the year ended 31 December 2020, the Group obtained a bank borrowing in the amount of 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. The bank borrowing was repaid in October 2021.

(d) During the year ended 31 December 2021, the Group renewed a revolving bank borrowing facility in the amount of RMB5,900,000. The revolving bank borrowings were drawn in March 2021. The bank borrowings carry an interest rate at 4.0% per annum with a term of 1 year. The balance is denominated in RMB.

    Subsequent to 31 December 2021, the Group failed to repay the bank in accordance with the scheduled repayment dates, including principal of RMB3,900,000 and interest of RMB6,000. The bank borrowings are secured by the Group's property, plant and equipment with a carrying value of RMB6,928,000.

(e) During the year ended 31 December 2021, the Group obtained a revolving bank borrowing in the amount of RMB600,000. The revolving bank borrowing was drawn on 8 June 2021. The balance carries an interest rate at 9.22% per annum with a term of 1 year and is denominated in RMB.

(f) During the year ended 31 December 2021, the Group has successfully obtained a borrowing facility of RMB20,000,000 from its shareholder on 1 August 2021 and RMB1,500,000 has been drawn on 16 August 2021. The borrowing will be repayable in two years from the date of drawdown with an interest rate of 5%.

Gearing ratio, being the proportion of the Group's total borrowings to total assets, increased from 44.7% for the year ended 31 December 2020 to 81.6% for the year ended 31 December 2021.

Commitments

(a) Operating lease commitments – as a lessor

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not later than 1 year	**1,253**	1,205
Later than 1 year and not later than 5 years	**5,536**	5,323
More than five years	**–**	1,466
	6,789	7,994

(b) Capital commitments

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

	2021	2020
	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 2021 and 2020, the Group had no material contingent liabilities.

Human resources

As at 31 December 2021, the Group had 213 full-time employees (2020: 261). Total staff costs including directors' remuneration for the year ended 31 December 2021 were RMB27.1 million (2020: RMB31.5 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

Since 2021, under the normalised epidemic prevention and control situation, the domestic economy has, in general, demonstrated a positive recovery trend. The domestic economy will continue to recuperate steadily with an unimpeded cycle of supply and demand, adjusted and optimised economic structure, continuously strengthened the momentum for innovation and fully explored the potential of the domestic market. With the remarkable achievements of epidemic prevention and control and the recovery of household income, the China economy as a whole maintained a recovery trend, and consumption continued to improve. This year is the beginning of the "14th Five-Year Plan". The government has clearly put forward the goals of expanding domestic demand and optimising consumption market. The contribution of consumption to China's economic growth will be significantly improved, the consumption structure of residents will continue to upgrade, the integration of online and offline consumption will accelerate, and the innovation in new business forms and new models will develop in a healthier and more sustainable way.

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

Going forward, these positive factors are expected to drive the Group to continue to develop its existing businesses of advertising, marketing and consulting, and agricultural products. At the same time, the Group will continue to focus on restructuring its publishing and advertising businesses by consolidating with cultural and film media businesses in PRC, so as to broaden the long-term income sources of the Group. The Group will more actively leverage its experience and resources in the advertising, film, culture and media industries to develop integrated projects on the theme of film or media, and develop these projects focusing on industry positioning, cultural heritage, tourism features, eco-agriculture, entertainment and community functions such as health and wellness, so as to form synergies with the existing businesses. In addition, the Group will continue to strive to identify suitable industry partners and investment or cooperation projects to capture business opportunities which form synergy with our existing businesses, as well as the transformation and upgrade that combine the strength of online and offline activities in the new media era.

COVID-19 OUTBREAK

The Coronavirus Disease 2019 ("**COVID-19**") outbreak that led to a series of severe administrative control and precautionary measures taken by governments and authorities in Mainland China temporarily disrupted the operations of the Group's various business and in particular the progress of the Group's tourism and integrated development has been delayed. Management expects that the China's government would launch additional proactive economic and monetary policies to stimulate its economic cycle and is confident that the Group's operation will recover in 2022.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2021.

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 (subsequently rearranged and renumbered as 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.

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 2021.

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 2021.

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 2021.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the Year has not been completed due to restrictions in force in parts of China to combat the COVID-19 Coronavirus outbreak and it takes more time for the Company to gather necessary documents (including, among others, confirmations required from banks) and to provide necessary evidence to our auditors in order to enable them to assess the going concern of the Group. Further, the Company's independent valuers have not been able to complete their valuation work. The unaudited results contained herein have not been agreed by the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 May 2022.

Following the completion of the valuation works and 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 "**2022 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 2022 AGM. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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 2021 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites on or before 31 May 2022.

WARNING STATEMENT

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

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

Hong Kong, 31 March 2022

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.