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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 51.2% from RMB265.2 million for the year ended 31 December 2021 to RMB129.3 million for the year ended 31 December 2022.
- The gross profit of the Group decreased by 50.2% from RMB21.7 million for the year ended 31 December 2021 to RMB10.8 million for the year ended 31 December 2022.
- The Group recorded a net loss of RMB167.9 million for the year ended 31 December 2022, which is mainly attributable to share of losses of investments accounted for using the equity method of RMB75.0 million.
- The Group recorded a basic loss of RMB0.1668 per share for the year ended 31 December 2022 as compared to RMB0.2029 per share for the year ended 31 December 2021.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2022.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the annual results of the Group for the year ended 31 December 2022 together with the comparative figures for the year of 2021.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2022 but represents an extract from the Group's audited consolidated financial statements. These consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	**2022** *RMB'000*	2021 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**30,735**	39,822
Investment properties		**29,204**	–
Right-of-use assets		**2,738**	3,241
Intangible assets	*5*	**28,720**	36,958
Prepayments, deposits and other receivables		**20,785**	20,785
Investments accounted for using the equity method	*13*	**–**	–
		112,182	100,806
Current assets			
Biological assets		**185**	119
Inventories		**371**	917
Properties held for sale	*6*	**15,097**	22,793
Financial assets at fair value through profit or loss		**4,376**	7,432
Trade receivables – net	*7*	**14,518**	7,004
Contract assets – net		**260**	2,419
Prepayments, deposits and other receivables		**63,697**	62,088
Restricted cash		**578**	935
Cash and cash equivalents		**46,025**	8,851
		145,107	112,558
Assets classified as held for sale		**–**	26,681
		145,107	139,239
Total assets		**257,289**	240,045

	Note	2022 RMB'000	2021 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**261,475**	8,065
Share premium		**109,546**	55,796
Other reserves		**185,662**	191,702
Accumulated deficits		**(550,997)**	(381,189)
		5,686	(125,626)
Non-controlling interests		**32,270**	6,106
Total equity/(deficit)		**37,956**	(119,520)
LIABILITIES			
Non-current liabilities			
Amount due to a joint venture		**8,792**	–
Lease liabilities		**4,315**	4,694
Deferred income tax liabilities		**–**	888
Loan from a shareholder		**2,919**	1,500
		16,026	7,082
Current liabilities			
Trade payables	*8*	**26,508**	12,790
Other payables, accrued expenses and contract liabilities		**107,817**	123,764
Financial guarantees		**851**	865
Lease liabilities		**2,126**	2,036
Loan from a shareholder		**1,500**	–
Borrowings		**–**	6,350
Financial liabilities at fair value through profit or loss		**25,690**	–
Current income tax liabilities		**5,868**	5,851
Convertible bonds		**–**	181,356
Amounts due to related parties		**23,867**	19,471
Amount due to a joint venture		**9,080**	–
		203,307	352,483
Total liabilities		**219,333**	359,565
Total equity/(deficit) and liabilities		**257,289**	240,045

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Note	**2022** **RMB'000**	2021 RMB'000
Revenue	3	**129,321**	265,158
Cost of sales		**(118,492)**	(243,429)
Gross profit		**10,829**	21,729
Selling and marketing expenses		**(9,556)**	(26,253)
General and administrative expenses		**(23,884)**	(40,833)
Gain on conversion of convertible bond to shareholder loan		**42,827**	–
Loss on conversion of shareholder loan to contingent convertible loan		**(72,719)**	–
Fair value change of contingent convertible loan		**(25,350)**	–
Net fair value (loss)/gain on financial assets at fair value through profit or loss		**(3,056)**	868
Provision for impairment of trade receivables and contract assets, net		**(1,609)**	1,796
Impairment loss of properties held for sale		**(5,323)**	–
Provision for impairment on goodwill and other intangible assets		**(7,148)**	(161,318)
Provision for impairment on property, plant and equipment		**–**	(8,818)
Provision for impairment on right-of-use assets		**–**	(1,550)
Other income		**109**	950
Other gains – net		**14,404**	119
Operating loss		**(80,476)**	(213,310)
Finance income		**16**	53
Finance costs		**(13,125)**	(19,959)
Finance costs – net		**(13,109)**	(19,906)
Share of loss of investments accounted for using the equity method	13	**(75,034)**	–
Loss before income tax	9	**(168,619)**	(233,216)
Income tax credit	10	**704**	44,352
Loss for the year		**(167,915)**	(188,864)
Loss attributable to:			
– Owners of the Company		**(169,809)**	(187,468)
– Non-controlling interests		**1,894**	(1,396)
		(167,915)	(188,864)

	Note	**2022**	2021
	Note	***RMB'000***	*RMB'000*
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences		**(6,040)**	1,724
Other comprehensive (loss)/income for the year		**(6,040)**	1,724
Loss and total comprehensive loss for the year		**(173,955)**	(187,140)
Loss and total comprehensive loss attributable to:			
– Owners of the Company		**(175,849)**	(185,744)
– Non-controlling interests		**1,894**	(1,396)
		(173,955)	(187,140)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	*11*	**(0.1668)**	(0.2029)
– Diluted *(RMB per share)*	*11*	**(0.1668)**	(0.2029)

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 consolidated financial statements for the year ended 31 December 2022 are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 31 March 2023.

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 and liabilities 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 disclosed in 2022 annual report.

Going concern

For year ended 31 December 2022, the Group reported a net loss of RMB167,915,000 and had a net cash outflow from operating activities of RMB11,645,000. As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB58,200,000 while the Group had cash and cash equivalents of approximately RMB46,025,000.

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

The directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the consolidated financial statements for the year ended 31 December 2022. In order to improve the Group's liquidity and financial position, the directors of the Company have been implementing various measures as follows:

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

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

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

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

(v) The Group is maximising its efforts to dispose its properties held for sales with a carrying amount of approximately RMB15,097,000 as at 31 December 2022 and expected to collect the sales proceeds within the cashflow forecast period;

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

(vii) The Group will continue its efforts to implement measures to strengthen its operating cash flows and working capital position, including expediting collection of outstanding trade receivables and deferring discretionary capital expenditures, where necessary.

The directors have reviewed the Group's cashflow forecast prepared by management which cover a period of not less than twelves months from 31 December 2022.

The directors, after making due enquiries and considering the basis of management's cashflow forecast described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group at least in the coming twelve months after the balance sheet date to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exist 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 financial resources from the above-mentioned (i) borrowing facility from the company wholly-owned by the major shareholder and (ii) financial support from the major shareholder, as and when required;

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

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

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

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

(vi) Successful in obtaining additional sources of financing as and when needed.

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

2.2 New and amended standards

(i) Amended standards adopted by the Group

The Group has applied the following amendments to standards for the first time for the annual reporting period commencing 1 January 2022.

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual improvement project (Amendments)	Annual Improvements to HKFRS Standards 2018-2020
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Amendments to AG 5	Merger Accounting for Common Control Combinations

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 2022 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. Other revenue mainly includes rental income, agency commission and the miscellaneous income. The total sales amount of the Group's five largest customers is RMB84,527,000 for the year ended 31 December 2022 (2021: RMB141,687,000). An analysis of the Group's revenue for the year is as follows:

	2022	2021
	RMB'000	*RMB'000*
Newspaper and public vehicles advertising	**6,478**	13,299
Marketing and consulting services	**54,142**	75,243
Printing services	**2,959**	4,180
Sales of agricultural products	**61,304**	171,654
Others	**4,438**	782
	129,321	265,158
Timing of revenue recognition		
– At a point in time	**128,609**	263,373
– Over time	**104**	1,470
– Under IFRS16	**608**	315
	129,321	265,158

During the year ended 31 December 2022 and 2021, revenue derives from Customer A of the Group amounted to RMB53,863,000 which accounted for more than 10% of the Group's revenue (2021: RMB66,930,000 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:

	2022	2021
	RMB'000	*RMB'000*
Contract assets *(Note (i))*	**278**	2,542
Less: Provision for impairment *(Note (ii))*	**(18)**	(123)
Contract assets – net	**260**	2,419
Contract liabilities *(Note (iii))*	**5,242**	19,194
Total contract liabilities	**5,242**	19,194

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 2022, a provision of RMB18,000 (2021: RMB123,000) 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.

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**14,107**	2,421

(iv) Unsatisfied performance obligations

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

	2022	2021
	RMB'000	*RMB'000*
Advertising services	**–**	7,417

Management expects there are no unsatisfied contracts will be recognized as revenue during the next report period as the unsatisfied performance obligations are from the subsidiaries which was disposed during 2022.

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 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 2022, 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, printing services and agency commission from sales of service pack.

(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 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 2022.

	Tourism and integrated developments *RMB'000*	Publishing and advertising *RMB'000*	Total *RMB'000*
Segment revenue from external customers	**61,304**	**68,017**	**129,321**
Timing of revenue recognition for revenue			
At a point in time	**61,304**	**67,305**	**128,609**
Over time	**–**	**104**	**104**
Under IFRS16	**–**	**608**	**608**
Segment results	**(11,719)**	**(22,705)**	**(34,424)**
Loss on conversion of shareholder loan to contingent convertible loan			**(72,719)**
Gain on conversion of convertible bond to shareholder loan			**42,827**
Fair value change of contingent convertible loan			**(25,350)**
Share of losses of investment accounted for using the equity method			**(75,034)**
Impairment loss of properties held for sale			**(5,323)**
Other income			**109**
Other gain			**14,404**
Finance costs – net			**(13,109)**
Loss before income tax			**(168,619)**
Income tax credit			**704**
Loss for the year			**(167,915)**

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.

	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	–	1,470	1,470
Under IFRS16	–	315	315
Segment results	(188,940)	(25,439)	(214,379)
Other income			950
Other gain			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.

5 Intangible assets

	Computer software	Non-compete agreement	Goodwill *(Note a)*	Customer relationships	Trademark	Web site	Right to a land lease *(Note b)*	Township operation right	Exclusive operating right	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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

	Computer software	**Non-compete agreement**	**Goodwill** *(Note a)*	**Customer relationships**	**Trademark**	**Web site**	**Right to a land lease** *(Note b)*	**Township operation right**	**Exclusive operating right**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Year ended 31 December 2022										
Opening net carrying amount	**82**	**–**	**7,116**	**–**	**–**	**–**	**–**	**25,410**	**4,350**	**36,958**
Disposal	**(12)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(12)**
Amortisation *(Note 9)*	**(9)**	**–**	**–**	**–**	**–**	**–**	**–**	**(706)**	**(363)**	**(1,078)**
Impairment	**–**	**–**	**(3,161)**	**–**	**–**	**–**	**–**	**–**	**(3,987)**	**(7,148)**
Closing net carrying amount	**61**	**–**	**3,955**	**–**	**–**	**–**	**–**	**24,704**	**–**	**28,720**
At 31 December 2022										
Cost	**3,159**	**11,500**	**89,839**	**14,500**	**9,400**	**8,476**	**193,439**	**28,000**	**5,582**	**363,895**
Accumulated amortisation	**(2,687)**	**(11,500)**	**–**	**(14,500)**	**(7,135)**	**(8,476)**	**(14,667)**	**(3,296)**	**(1,595)**	**(63,856)**
Accumulated impairment losses	**(411)**	**–**	**(85,884)**	**–**	**(2,265)**	**–**	**(178,772)**	**–**	**(3,987)**	**(271,319)**
Net carrying amount	**61**	**–**	**3,955**	**–**	**–**	**–**	**–**	**24,704**	**–**	**28,720**

The amortisation of intangible assets has been charged in the 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	Impairment	Net Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2022			
Public vehicles advertising project in Fuzhou *(Note (i))*	**3,161**	**(3,161)**	**–**
Cooperative project in Yongfu Town *(Note (ii))*	**3,955**	**–**	**3,955**
	7,116	**(3,161)**	**3,955**
Year ended 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

(i) Public vehicles advertising project in Fuzhou

Goodwill amounting to RMB7,253,000 was recognised as a result of acquisition of Fuzhou Mobile Media Co., Ltd in 2020. 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 2022, due to the termination of the contract of vehicles advertising projects in Fuzhou, management determined to make a full provision for impairment of goodwill of RMB3,161,000 (2021: RMB4,092,000).

(ii) Cooperative project in Yongfu Town

Goodwill amounting to RMB3,955,000 was recognised as a result of acquisition of Zhang Ping Nong Bo Hui New Specialized Farmers' Cooperative in 2019.

As at 31 December 2022 and 2021, management of the Group determined that there was no impairment of the CGU to which the goodwill has been allocated.

6 Properties held for sale

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

	2022	2021
	RMB'000	*RMB'000*
Properties held for sale	**15,097**	22,793

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 2022, the management compared the carrying amount and fair value less costs to sell of the properties and made impairment provision of RMB5,323,000 (2021: Nil).

7 Trade receivables – net

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**23,730**	14,502
Less: provision for impairment of trade receivables	**(9,212)**	(7,498)
Trade receivables – net	**14,518**	7,004

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:

	2022	2021
	RMB'000	*RMB'000*
1-30 days	**13,925**	4,949
31-60 days	**714**	1,466
61-90 days	**–**	53
91-180 days	**888**	731
181-365 days	**1,099**	393
Over 1 year	**7,104**	6,910
	23,730	14,502
Less: provision for impairment of trade receivables	**(9,212)**	(7,498)
Trade receivables – net	**14,518**	7,004

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 2022, trade receivables of RMB9,212,000 (2021: RMB7,498,000) were impaired and provided for. For the year ended 31 December 2022, the amounts of the provision credited to the consolidated statement of comprehensive income were RMB1,714,000 (2021: the amounts of the reversal of provision credited to the consolidated statement of comprehensive income were RMB1,800,000).

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 2022, written-off trade receivables of RMB425,000 were credited (2021: written-off trade receivables of RMB35,000 were credited) to the consolidated statement of comprehensive income.

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

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**7,498**	9,298
Net change in provision for impairment of trade receivables	**1,714**	(1,800)
At 31 December	**9,212**	7,498

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.

8 Trade payables

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**26,508**	12,790

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:

	2022	2021
	RMB'000	*RMB'000*
1-30 days	**14,940**	1,006
31-90 days	**2,958**	5,896
Over 90 days	**8,610**	5,888
	26,508	12,790

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:

	2022	2021
	RMB'000	*RMB'000*
Cost of newspaper and public vehicles advertising		
– Media costs	**5,250**	9,265
Cost of printing services:		
– Raw materials	**1,208**	1,875
– Other costs	**822**	668
Cost of sales of agricultural products	**52,719**	154,698
Depreciation of property, plant and equipment	**3,367**	3,880
Depreciation of right-of-use assets	**717**	930
Amortisation of intangible assets *(Note 5)*	**1,078**	3,567
Auditor's remuneration	**4,258**	3,474
Marketing expenses	**8,631**	24,080
Operating lease charges in respect of land and buildings	**422**	1,270
Net (gain)/loss on disposal of property, plant and equipment	**(2,989)**	123
Gain on disposals of properties held for sale	**–**	(49)
Net change in provision for impairment of financial guarantee	**(14)**	(245)
Net fair value loss/(gain) on financial assets at fair value through profit or loss	**3,056**	(868)
Net change in provision for impairment of trade receivables and contract assets	**1,609**	(1,796)
Fair value loss properties held for sale	**5,323**	–
Loss on conversion of shareholder loan to contingently convertible loan	**(72,719)**	–
Gain on conversion of convertible bond to shareholder loan	**42,827**	–
Fair value change of contingent convertible loan	**(25,350)**	–
Provision for impairment on property, plant and equipment	**–**	8,818
Provision for impairment on right-of-use assets	**–**	1,550
Provision for impairment on goodwill and other intangible assets *(Note 5)*	**7,148**	161,318
Legal and professional fee	**1,289**	1,969
Written-off/recovery of previously written-off of trade receivables	**425**	(35)
Net foreign exchange (gain)/losses	**(5,231)**	1,745
Employee benefit expenses (including directors' emoluments)	**19,410**	27,125
Business tax	**103**	252

10 Income tax credit

	2022	2021
	RMB'000	*RMB'000*
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**(184)**	(277)
	(184)	(277)
Deferred income tax credit	**888**	44,629
	704	44,352

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2022 and 2021.

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 shares in issue during the year.

	2022	**2021**
Loss attributable to owners of the Company *(RMB'000)*	**(169,809)**	(187,468)
Weight average number of shares in issue *(thousands)*	**1,018,193**	923,922
Basic loss per share *(RMB per share)*	**(0.1668)**	(0.2029)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares. The Company has no potential dilutive shares during the year ended 31 December 2022 (2021: same).

12 Dividend

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

13 Investment accounted for using the equity method

Investment in a joint venture and an associate

On 14 October 2022, the Group completed the acquisition of 23% equity interest in Baiming (Beijing) Information Technology Co., Ltd. ("**Beijing Baiming**") from an independent third party, which is principally engaged in internet information services business in the People's Republic of China (the "**PRC**"). The Group accounted Beijing Baiming as investment in a joint venture The consideration was settled by way of issue of convertible bonds by the Company to the seller.

On 14 October 2022, the Group completed the acquisition of 35% equity interest in Zhuoshi Technology (Beijing) Co., Ltd. ("**Zhuoshi**") from an independent third party, which is principally engaged in internet information services business in the People's Republic of China (the "**PRC**"). The Group accounted Zhuoshi as investment in an associate Zhuoshi hold 77% equity interest in. The consideration was settled by way of issue of convertible bonds by the Company to the seller.

Throght the above acquisition, the Group effectively hold 49.95% equity interest in Beijing Baiming, which is accounted as investment using equity method.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

In 2022, both the domestic and international situation was complex and acute. Despite a smooth start in the first quarter, the early stage of the second quarter was affected by factors that exceeded expectations, especially the epidemic in Shanghai in Spring, which exerted a significant drag on the economic data in the second quarter. In the second quarter of 2022, China's gross domestic product (GDP) growth rate was only 0.4%, which also posed a new blow to the slowly recovering investment and consumption from the epidemic. In facing such a difficult situation, the central government promptly introduced a basket of policies and successive measures to stabilize the economy, and all regions and departments performed better coordination in epidemic prevention and control as well as economic and social development. Under the accelerated implementation of the packaged tax and fee support policies, the domestic economy gradually recovered. The economy stabilized in the third quarter with a GDP growth rate of 3.9%. In the fourth quarter, despite the rebounding impact of the epidemic, the overall recovery persisted under the joint efforts of all parties. According to the National Bureau of Statistics of China, China's GDP exceed RMB121 trillion in 2022, representing a growth of 3.0% as compared with 2021. The total economic output reached USD18 trillion, ranking second in the world after the United States. The per capita GDP of RMB85,698 (equivalent to USD12,741) remained above the USD12,000 mark. In 2022, China's employment and prices were generally stable, with the national urban survey unemployment rate down to 5.5% at year-end from its high in April last year. China's consumer price index (CPI) went up by only 2.0% for the whole year, far lower than the 8.0% rise in the United States and 8.4% rise in the Eurozone and other developed economies, and significantly lower than the 6%-10% rise in other emerging economies. "China's stable price" and "global inflation" form an extremely sharp contrast.

For the advertising and marketing market, the macroeconomic trends affect brand owners' confidence in short-term business operations, which in turn affect the size of budgets spent on advertising and marketing. China's advertising market continued to decline since the beginning of 2022, with a more pronounced month-on-month decline. The overall market showed obvious signs of recovery in the second half year, but owing to the epidemic rebound in the fourth quarter in which some cities were seriously affected by the epidemic, the placement of multiple types of advertising channels was affected, and once again entered a volatile stage. As of December, the advertising market returned to growth month-on-month. According to data from Media Intelligence of CCTV Market Research (CTR), China's annual advertising market in 2022 decreased by 11.8% year-on-year. Under the influence of multiple unexpected challenges such as the epidemic impact and complex and acute domestic and international market environments, advertising revenues of traditional outdoor, newspaper, and cinema video declined significantly, while television, elevator, and Internet advertising fluctuated but performed resiliently. The four industries of food, pharmaceuticals, transportation, and household products ride against the tide in the advertising market. With the implementation of security regulations such as the Data Security Law and Personal Information Protection Law one after another, the IT products and service industries, education and training, cultural and entertainment industries, medical beauty and health, games, Internet finance industries, and other sub-segments were subject to stringent regulation and other factors, with a large number of brands in the industry being lost, resulting in a decrease of 34.5% year-on-year in industry advertising placement. According to the data published by the 2022 China Internet Advertising Data Report（《二零二二中國互聯網廣告數據報告》）jointly compiled by Interactive Marketing Lab Zhongguancun（中關村互動營銷實驗室）, PricewaterhouseCoopers, Miaozhen Academy of Marketing Science（秒針營銷科學院）and School of Journalism and Communication of Beijing Normal University（北京師範大學新聞傳播學院）, in 2022, the size of China's Internet advertising market was approximately RMB508.8 billion, representing a decrease of 6.38% as compared with 2021, which was the first negative growth in market size in nearly seven years. The size of China's Internet marketing market was expected to be approximately RMB615 billion, representing a decrease of 0.37% as compared with the previous year. The total size of the advertising and marketing market was approximately RMB1,123.8 billion, representing a decrease of 3.19% as compared with 2021. The video has become an effective tool for marketing products and engaging users. Among them, short videos show significant growth in both media platforms and advertising forms, indicating that the structure of Internet video advertising was tilting toward short videos, and the form of short video advertising highlighted its market advantages.

According to data published by the China Film Administration, the total box office of China in 2022 was RMB30.067 billion, representing a decrease of 36.07% as compared to RMB47.033 billion in 2021 and only half of the box office of RMB64.266 billion in 2019 before the epidemic. Among them, the box office of Chinese films was RMB25.511 billion, accounting for 84.85% of the total box office. Total attendance declined from 123 million in 2021 to 102 million. Movie-going attendance fell from 1.17 billion in 2021 to 710 million, with significantly fewer people going to cinemas. The movie-watching rate continued to decline over three years, from 8.1% in 2020 to only 5.8% in 2022. In the three years since the epidemic, China's film industry fell into the doldrums, with box office plummeting year-over-year, willingness to watch movies declining, cinemas struggling to survive, the propaganda cycle lengthening, and the supply of upstream films insufficient. Under the influence of the epidemic, the surface impact was a drop in the box office, and the deeper level was that consumers' willingness to watch movies declined, as well as their preferences, requirements for the content, and form of watching quietly changed.

Business Review

For the twelve months ended 31 December 2022, the Group recorded a revenue of RMB129.3 million (2021: RMB265.2 million) in its principal business. Gross profit was RMB10.8 million (2021: RMB21.7 million), and gross profit margin increased slightly from 8.2% in 2021 to 8.4% in 2022. Net loss after taxation decreased to approximately RMB167.9 million (2021: RMB188.9 million).

Newspapers and Public Vehicles Advertising

With the rapid advancement of technology and speedy changes in the market environment, the advertising industry is swiftly changing its placement model. Traditional media such as newspapers, radio, and television are gradually declining, while the mobile Internet and new media are beginning to dominate a strong lead in the advertising industry. During the year, the circulation and operation of Southeast Express operated by the Group continued to be unsatisfactory, coupled with the termination of the contract of the public vehicles advertising project in Fuzhou due to changes in the operating environment. During the year ended 31 December 2022, newspapers and public vehicles advertising contributed RMB6.5 million to the Group's revenue, representing a decrease of 51.3% (2021: RMB13.3 million) as compared to 2021, with a gross profit margin of 18.9%.

Marketing and Consulting Services and Printing Services

For the twelve months ended 31 December 2022, the Group's revenue from marketing and consulting services was approximately RMB54.1 million, representing a decrease of 28.0% as compared with 2021, with a gross loss margin of 1.5%. The revenue from printing services also decreased to RMB3.0 million, representing a decrease of 28.6% as compared with 2021, with a gross profit margin of 9.8%.

Sales of Agricultural Products

For the twelve months ended 31 December 2022, the Group's revenue from sales of agricultural products was approximately RMB61.0 million (2021: RMB171.7 million), with a gross profit margin of 13.6%. 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.

Agency commission services

For the twelve months ended 31 December 2022, the Group's revenue from agency commission services was RMB3.4 million (2021: Nil), with a gross profit margin of 57.5%.

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 decreased by 51.2% from RMB265.2 million for the year ended 31 December 2021 to RMB129.3 million for the year ended 31 December 2022, primarily due to the decrease in revenue from sales of agricultural products. Revenue from marketing and consulting services decreased from RMB75.2 million for the year ended 31 December 2021 to RMB54.1 million for the year ended 31 December 2022. Revenue from newspaper and public vehicle advertising decreased from RMB13.3 million for the year ended 31 December 2021 to RMB6.5 million for the year ended 31 December 2022. Revenue from sales of agricultural products decreased from RMB171.7 million for the year ended 31 December 2021 to RMB61.0 million for the year ended 31 December 2022. Revenue from printing services decreased from RMB4.2 million for the year ended 31 December 2021 to RMB3.0 million for the year ended 31 December 2022.

Gross profit and gross profit margin

Gross profit decreased by 50.2% from RMB21.7 million for the year ended 31 December 2021 to RMB10.8 million for the year ended 31 December 2022. Gross profit margin increased from 8.2% in 2021 to 8.4% in 2022, which was primarily attributable to the slightly increase in gross profit margin of agricultural products.

Other income

Other income decreased from RMB1.0 million for the year ended 31 December 2021 to RMB0.1 million for the year ended 31 December 2022, mainly due to the decrease in the income from government grant during the year.

Selling and marketing expenses

Selling and marketing expenses decreased by 63.5% from RMB26.3 million for the year ended 31 December 2021 to RMB9.6 million for the year ended 31 December 2022, mainly due to the decrease in selling and marketing expenses of the sales of agricultural products.

General and administrative expenses

General and administrative expenses decreased by 41.4% from RMB40.8 million for the year ended 31 December 2021 to RMB23.9 million for the year ended 31 December 2022, mainly due to (i) decrease in staff costs of RMB4.2 million and (ii) decrease in amortisation of intangible assets of RMB2.5 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 increase in other net income and gains, loss before income tax for the year ended 31 December 2022 was RMB168.6 million, representing a decrease of 27.7% as compared to loss before income tax of RMB233.2 million for the year ended 31 December 2021.

Loss for the year

The Group recorded a net loss for the year of RMB167.9 million for the year ended 31 December 2022, representing a decrease of 11.1% as compared to loss for the year of RMB188.9 million for the year ended 31 December 2021. Decrease in loss for the year was mainly attributable to share of losses of investments accounted for using the equity method of RMB75.0 million for the year ended 31 December 2022.

Loss attributable to non-controlling interests

As a result of the above factors, loss attributable to non-controlling interests increased from RMB1.4 million for the year ended 31 December 2021 to profit attributable to non-controlling interests of RMB1.9 million for the year ended 31 December 2022.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company decreased from RMB187.5 million for the year ended 31 December 2021 to RMB169.8 million for the year ended 31 December 2022.

Liquidity and capital resources

As at 31 December 2022, the Group had total assets of approximately RMB257.3 million (2021: RMB240.0 million) and total borrowings and lease liabilities totalling approximately RMB10.9 million (2021: RMB195.9 million), representing a gearing ratio, defined as total borrowings over total assets, of approximately 42.4% (2021: 81.6%).

The Group had net current liabilities of approximately RMB56.7 million (2021: RMB213.2 million), calculated on the basis of the current assets of approximately RMB145.1 million (2021: RMB139.2 million) divided by current liabilities of approximately RMB201.8 million (2021: RMB352.5 million), representing a current ratio of approximately 0.7 (2021: 0.4).

As at 31 December 2022, the Group had cash and bank balances of approximately RMB46.6 million (2021: RMB9.8 million), including restricted cash of RMB0.6 million.

Going concern

For year ended 31 December 2022, the Group reported a net loss of RMB167,915,000 and had a net cash outflow from operating activities of RMB11,645,000. As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB58,200,000 while the Group had cash and cash equivalents of approximately RMB46,025,000.

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

The directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the consolidated financial statements for the year ended 31 December 2022. In order to improve the Group's liquidity and financial position, the directors of the Company have been implementing various measures as follows:

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

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

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

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

(v) The Group is maximising its efforts to dispose its properties held for sales with a carrying amount of approximately RMB15,097,000 as at 31 December 2022 and expected to collect the sales proceeds within the cashflow forecast period;

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

(vii) The Group will continue its efforts to implement measures to strengthen its operating cash flows and working capital position, including expediting collection of outstanding trade receivables and deferring discretionary capital expenditures, where necessary.

The directors have reviewed the Group's cashflow forecast prepared by management which cover a period of not less than twelves months from 31 December 2022.

The directors, after making due enquiries and considering the basis of management's cashflow forecast described above and after taking into account the reasonably possible changes in the operation performance, believe there will be sufficient financial resources available to the Group at least in the coming twelve months after the balance sheet date to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exist 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 financial resources from the above-mentioned (i) borrowing facility from the company wholly-owned by the major shareholder and (ii) financial support from the major shareholder, as and when required;

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

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

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

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

(vi) Successful in obtaining additional sources of financing as and when needed.

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

Cash flows used in operating activities

For the year ended 31 December 2022, net cash used in operating activities amounted to RMB11.6 million, primarily attributable to the loss before income tax for the year amounted to RMB168.6 million and partially offset by non-cash items, which primarily included (i) provision for impairment of intangible assets amounted to RMB7.1 million, (ii) disposal of subsidiaries and fixed assets of RMB9.5 million, and (iii) depreciation and amortisation of RMB4.4 million.

Cash flows used in investing activities

For the year ended 31 December 2022, net cash generated from investing activities amounted to RMB10.8 million, resulted primarily from receipt from disposal of property plant and equipment of RMB8 million.

Cash flows generated from financing activities

For the year ended 31 December 2022, net cash generated from financing activities amounted to RMB38.0 million, mainly attributable to capital injection from non-controlling shareholders of a subsidiary of RMB30.0 million and borrowing from joint venture of RMB12.3 million.

Capital expenditures

Capital expenditures incurred during the year are mainly for the purchase or construction costs related to property, plant and equipment. Capital expenditures were RMB1.4 million and RMB1.0 million for the years ended 31 December 2021 and 2022, 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 107.1% from RMB7.0 million as at 31 December 2021 to RMB14.5 million as at 31 December 2022. Such increase was mainly attributable to the increase of marketing agency about RMB10 million.

Prepayments, deposits and other receivables

The non-current prepayments, deposits and other receivables maintained at RMB20.8 million as at 31 December 2022, while the current prepayments, deposits and other receivables slightly increased from RMB62.1 million as at 31 December 2021 to RMB63.7 million as at 31 December 2022, mainly due to the new subsidiary with amount of RMB1.7 million, which is an allowance paid in advance to the employees.

Properties held for sale

As at 31 December 2022, properties held for sale amounted to approximately RMB15.1 million (2021: RMB22.8 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, 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 2022, the management compared the carrying amount and fair value less costs to sell of the properties made impairment provision of RMB5,323,000 based on the valuation of the valuer (2021: 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 RMB12.8 million as at 31 December 2021 to RMB26.5 million as at 31 December 2022. Turnover days of trade payables increased from 30 days for the year ended 31 December 2021 to 109 days for the year ended 31 December 2022 due to significant increase of purchases of agricultural products for sales.

Other payables, accrued expenses and contract liabilities

The current other payables, accrued expenses and contract liabilities decreased by 12.9% from RMB123.8 million as at 31 December 2021 to RMB107.8 million as at 31 December 2022, mainly due to the decrease in the contract liabilities of RMB14.0 million.

Share capital

(a) On 4 November 2022, the authorised share capital of the Company has increased to HK$1,100,000,000, comprising: (a) 100,000,000,000 ordinary shares of HK$0.01 each; and (b) 10,000,000,000 non-voting Convertible Preference Shares of HK$0.01 upon the resolution passed at the Special General Meeting. On 11 November 2022, 383,636,331 Convertible Preference Shares were allotted and issued to the TopBig International Development Limited under the Convertible Preference Shares Specific Mandate at the subscription price of HK$0.57 per Convertible Preference Shares, in full and final settlement of the entire outstanding balance of the TopBig International Development Limited's Loan (including principal and interest) owed by the Group to the TopBig International Development Limited.

(b) On 14 October 2022 and 15 November 2022, the convertible bonds with carrying amount of RMB27,461,028 and RMB27,893,693, respectively, were converted based on the principal amount of HK$30,803,000 and HK$30,803,000 (equivalent to RMB27,859,000 and RMB28,298,000, respectively). As a result, 44,003,571 and 44,003,571, respectively, new shares were issued and allotted.

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.

Indebtedness

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

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

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

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

Gearing ratio, being the proportion of the Group's total borrowings to total assets, increased from 81.6% as at 31 December 2021 to 5.2% as at 31 December 2022.

Commitments

(a) Operating lease commitments – as a lessor

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

	2022	2021
	RMB'000	*RMB'000*
Not later than 1 year	**652**	1,253
Later than 1 year and not later than 5 years	**2,116**	5,536
	2,768	6,789

(b) Capital commitments

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

	2022	2021
	RMB'000	*RMB'000*
Property, plant and equipment	**2,640**	4,266

Contingent liabilities

As at 31 December 2022 and 2021, the Group had no material contingent liabilities.

Human resources

As at 31 December 2022, the Group had 106 full-time employees (2021: 213). Total staff costs including directors' remuneration for the year ended 31 December 2022 were RMB19.4 million (2021: RMB27.1 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.

Subsequent events

(i) With effect from 9 January 2023, the following directors of the Company has resigned:

Mr. Chen Wei Dong, non-executive Director;

Mr. Zhou Chang Ren, independent non-executive Director; and

Mr. Cai Jian Quan, independent non-executive Director.

(ii) With effect from 9 January 2023, the following directors of the Company were appointed:

Mr. Wang Xu, executive Director;

Mr. Chen Ye, non-executive Director;

Mr. Mao Xiangyun, independent non-executive Director; and

Mr. Wei Hong, independent non-executive Director.

Prospects

In 2022, affected by the COVID-19 resurgence, the Ukrainian crisis, the macroeconomic downturn, global inflation and other factors, the business environment was grim, consumer confidence was weak, and the market sentiment was at a low level.

With the optimisation and adjustment of the epidemic prevention and control measures, production and life order have gradually resumed, coupled with the complete lifting of restrictions on consumption scenarios, offline consumption of all kinds, including food and beverage, has rapidly resumed. At the same time, the current policy of promoting consumption is also gaining momentum, with certain venues issuing consumption vouchers and consumption subsidies of varying scales, and financial institutions increasing their consumer credit allocations. In addition, part of the excess savings accumulated last year is also being converted into consumption. These factors have provided strong support for the rebound in consumption at the beginning of the year. With the gradual economic recovery, increase in employment, and the rise of residents' income, consumption power will gradually increase. At the same time, the restrictive effect of the epidemic on consumption over the past year will gradually be removed, which will be conducive to releasing consumption potential. Affected by the base factor, the market generally predicts that it will not be difficult for China's economy to achieve growth of about 5% in 2023, and the peak of economic recovery will be seen in the second quarter, with year-on-year growth expected to reach about 7% or even higher, after which the recovery will continue in the third and fourth quarters, but the growth rate may slow down. Despite the strong momentum of the post-epidemic recovery in the first half year, we need to be cautious about the economic development prospect in the second half year, given the domestic and international challenges such as pressure on exports due to weak global demand, the volatility in the global economy and financial markets caused by the FED's rapid interest rate hikes, the intensification of geopolitical tensions, and the recovery of the domestic property market, which has yet to gain momentum.

With the rapid advancement of technology and speedy changes in the market environment, the advertising industry is swiftly changing its placement model. Traditional media such as newspapers, radio, and television are gradually declining, while the mobile Internet and new media are beginning to dominate a strong lead. According to QuestMobile, a research institution specializing in the PRC mobile internet market, the scale of mobile Internet users in the PRC has exceeded the 1.2 billion mark, while user loyalty has further increased, with monthly per capita hours and frequency of use exceeding 177.3 hours and 2,633 times respectively. QuestMobile forecasts that the China advertising market will grow from RMB798.74 billion to RMB1,165.89 billion from 2018 to 2023, with a 5-year CAGR of 7.9%, while the scale of Internet advertising in the PRC is expected to grow from RMB409.45 billion to RMB792.48 billion, with a 5-year CAGR of 14.1%. The future growth rate of the Internet advertising market is expected to continue to outpace the market size of the advertising industry, reflecting the continuous trend of online advertising placement. In terms of content, short video marketing offers an immersive viewing experience, with greater interactivity, more focused information, richer content, visualisation and better integration with the platform ecosystem. In terms of format, short video advertising time is shorter, and better use fragmented time. In terms of technology, based on the constantly optimised recommendation algorithm, short video platforms can recommend more targeted content to users and improve the accuracy of placement. With these multiple advantages, more and more advertisers are choosing to place short video advertising, and the market size of the short video is expected to escalate from RMB19.24 billion in 2018 to RMB137.99 billion in 2023, with market share increasing from 4.7% in 2018 to 17.4% in 2023, with a 5-year CAGR of 48.3%. The placement cost of short video advertising is expected to grow by 15.2% in 2022.

In view of the rapid growth of the market size of short video advertising, it is expected to become the second largest media advertising type after e-commerce advertising. As stated in the Group's announcement dated 4 August 2022, the Group entered into a sale and purchase agreement with a short video player in PRC on 31 July 2022 to acquire an effective 49.95% equity interest in Baiming (Beijing) Information Technology Co., Ltd.(百鳴(北京)信息技術有限公司)and its subsidiary. The short video player operates a video content creation platform namely Xiaozhu Youban(小豬優版), which provides content creators with a simple, fast, efficient, and high-value content open platform for their creation and distribution of short videos.

According to preliminary statistical data from the National Film Development Funds Management Committee, benefiting from the substantial adjustment of the prevention and control policy and the strong recovery of the Spring Festival season, the 2023 Spring Festival season was the first core season after the optimization of the COVID-19 prevention and control policy, which has released the market demand that was being suppressed in the previous periods and ushered in the opening of the film market in the PRC. The data shows that the box office of the film market in the PRC is expected to reach around RMB15.5 billion in the first quarter of 2023, laying a solid foundation for the recovery of the yearly box office. The recovery trend of the film industry is apparent, and combined with sufficient quality content on the domestic supply side, expected lower production costs, and shorten production cycles, normalized creation is expected to resume. The outlook for 2023 will welcome a box office rebound, with full-year gross film box office revenue expected to reach approximately RMB54.6 billion, and the revenue recovery reaching 85% of the average box office level in 2019. At the same time, the market relies too much on popular slots and the unbalanced situation of the gross film market still exists. Participants in the film industry have generally realized and actively conducted in-depth studies to create films suitable for a certain period of time, so that the film market trend throughout the year is more balanced and orderly, and also can effectively cultivate the audience's consumption habits and enhance the audience's film watching frequency, which is also is the key to restore the yearly box office to the pre-pandemic level.

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.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

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 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 2022.

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. Mao Xiangyun and Mr. Wei Hong. 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 2022.

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 2022.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2022.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of RMB167,915,000 and a net cash used in operating activities of RMB11,645,000 for the year ended 31 December 2022 and, as at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB58,200,000 while the Group had cash and cash equivalents of approximately RMB46,025,000. These conditions, along with other matters as set forth in Note 2.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

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

Hong Kong, 31 March 2023

As at the date of this announcement, the executive Directors of the Company are Mr. Chen Zhi (Chairman & Chief Executive Officer), Mr. Yu Shi Quan and Mr. Wang Xu; the non-executive Directors are Ms. Chen Min and Mr. Chen Ye; and the independent non-executive Directors are Mr. Wong Heung Ming, Henry, Mr. Mao Xiangyun and Mr. Wei Hong.