SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 24.9% from RMB57.8 million for the year ended 31 December 2016 to RMB43.4 million for the year ended 31 December 2017.
- The gross profit of the Group increased by 23.7% from RMB9.7 million for the year ended 31 December 2016 to the gross profit of RMB12.0 million for the year ended 31 December 2017.
- The Group recorded a net loss of RMB56.3 million for the year ended 31 December 2017, which is mainly attributable to the (i) the decline in advertising revenue; (ii) high staff costs and rental expense; and (iii) increase in foreign exchange loss.
- The Group recorded a basic loss per share of RMB0.0390 for the year ended 31 December 2017 as compared to a basic loss per share of RMB0.0439 for the year ended 31 December 2016.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2017.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures for the year of 2016.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2017 but represents an extract from those financial statements. The consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	**2017**	2016
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**14,707**	20,093
Intangible assets		**532**	1,020
Available-for-sale financial asset	*6*	**84,726**	81,775
Prepayments, deposits and other receivables	*8*	**105,826**	27,157
		205,791	130,045
Current assets			
Inventories		**1,224**	912
Properties held for sale	*5*	**34,519**	43,774
Trade receivables – net	*7*	**6,068**	6,837
Prepayments, deposits and other receivables	*8*	**3,803**	2,734
Amounts due from related parties		**740**	292
Cash and cash equivalents		**60,178**	182,833
		106,532	237,382
Total assets		**312,323**	367,427
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**123,919**	123,919
Share premium	*11*	**816,907**	816,907
Other reserves		**48,904**	46,980
Accumulated deficits		**(750,092)**	(693,579)
		239,638	294,227
Non-controlling interests		**7,969**	5,692
Total equity		**247,607**	299,919

	Note	**2017**	2016
		RMB'000	*RMB'000*
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**–**	688
Deferred income tax liabilities		**120**	240
		120	928
Current liabilities			
Trade payables	*9*	**4,513**	4,170
Other payables and accrued expenses		**30,464**	31,628
Bank borrowings	*10*	**9,113**	11,350
Current income tax liabilities		**20,031**	19,226
Amounts due to related parties		**475**	206
		64,596	66,580
Total liabilities		**64,716**	67,508
Total equity and liabilities		**312,323**	367,427

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	3	**43,428**	57,759
Cost of sales	13	**(31,472)**	(48,034)
Gross profit		**11,956**	9,725
Selling and marketing expenses	13	**(5,476)**	(7,953)
General and administrative expenses	13	**(66,066)**	(47,860)
Other gain	12	**–**	3
Other income	12	**587**	1,624
Operating loss		**(58,999)**	(44,461)
Finance income	14	**3,381**	160
Finance costs	14	**–**	(12,183)
Finance income/(costs) – net	14	**3,381**	(12,023)
Loss before income tax		**(55,618)**	(56,484)
Income tax (expense)/credit	15	**(713)**	92
Loss for the year		**(56,331)**	(56,392)
(Loss)/profit attributable to:			
– Owners of the Company		**(56,493)**	(57,129)
– Non-controlling interests		**162**	737
		(56,331)	(56,392)

	Note	2017 RMB'000	2016 RMB'000
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Fair value loss on an available-for-sale financial asset		**–**	(7,063)
Currency translation differences		**1,904**	(695)
Other comprehensive income/(loss) for the year		**1,904**	(7,758)
Loss and total comprehensive loss for the year		**(54,427)**	(64,150)
(Loss)/profit and total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(54,589)**	(64,887)
– Non-controlling interests		**162**	737
		(54,427)	(64,150)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	*16*	**(0.0390)**	(0.0439)
– Diluted *(RMB per share)*	*16*	**(0.0390)**	(0.0439)

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.

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 address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

These consolidated financial statements 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 of Directors on 28 March 2018.

2 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 Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset at fair value.

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. Details of the critical accounting judgements and estimates applied to prepare the Group's consolidated financial statements to be included in the 2017 annual report.

The accounting policies and methods of computation used in preparing the consolidated financial statements of the Group as extracted from the Group's consolidated financial statements are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 December 2016, except for the adoption of the following amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2017.

2.1 Changes in accounting policies and disclosures

(a) Amendments to standards effective in 2017

Amendment to IAS 7	Disclosure initiative
Amendment to IAS 12	Recognition of deferred tax assets for unrealised losses
Amendment to IFRS 12	Disclosure of interest in other entities

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

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

Amendment to IFRS 1	First time adoption of IFRS[1]
Amendment to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendment to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts[1]
IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers[1]
Amendment to IFRS 15	Clarifications to IFRS 15[1]
Amendment to IAS 28	Investments in associates and joint ventures[1]
Amendment to IAS 40	Transfers of investment property[1]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRS 16	Leases[2]
IFRIC 23	Uncertainty over income tax treatment[2]
IFRS 17	Insurance contract[3]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *Effective for annual periods beginning on or after 1 January 2021*

[4] *Effective date to be determined*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Impact of IFRS 9, 'Financial instruments'

The new standard addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has reviewed its financial assets and liabilities. The debt instruments that are currently classified as available-for-sale do not meet the criteria to be classified either as at fair value through other comprehensive income or at amortised cost and will have to be reclassified to financial assets at fair value through profit or loss. Related fair value loss of RMB$7,063,000 will have to be transferred from the available-for-sale financial assets fair value reserve to accumulated deficits on 1 January 2018.

For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in other comprehensive income to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

The implementation of IFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets.

IFRS 9 must be applied for financial years commencing on or after 1 January 2018. The Group will apply the rule retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

Impact of IFRS 15, 'Revenue from contracts with customers'

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management has assessed the impact of the adoption of IFRS 15 on the Group's consolidated financial statements by analysing the Group's key revenue stream against the 5-step approach and does not expect the adoption would have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group other than presenting more disclosures.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Impact of IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the consolidated balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB16,303,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's financial performance and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

3 Revenue

Revenue from external customers are derived from the provision of newspaper advertising services to advertisers in the PRC and the provision of marketing and printing services. The total sales amount of the Group's five largest customers is RMB18,648,000 for the year ended 31 December 2017 (2016: RMB18,445,000). An analysis of the Group's revenue for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
Newspaper advertising	**7,210**	17,127
Marketing services	**31,668**	36,515
Printing services	**4,550**	4,117
	43,428	57,759

During the year ended 31 December 2017, revenue derives from a customer of the Group amounted to RMB5,633,000 which accounted for more than 10% of the Group's revenue (2016: RMB4,484,000).

4 Segment information

The Executive Directors have been identified as chief operating decision maker ("the 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 Executive Directors assess the performance of the Group's advertising, marketing and printing businesses from both geographic and product perspectives. From a product perspective, management takes into consideration of the economic benefits of abovementioned businesses as a whole when executing a centralised assessment of the performance as the CODM considers they are mutually dependent and inseparable. Geographically, management considers the Group's businesses activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". As such, no segment information is presented.

5 Properties held for sale

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

	2017	2016
	RMB'000	*RMB'000*
Properties held for sale	**34,519**	43,774

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 level 1, 2 and 3 for recurring fair value measurements during the year. For the year ended 31 December 2017, the management compared the carrying amount and fair value less costs to sell of the properties and considered no further impairment provision is necessary (2016: RMB1,152,000) (Note 13).

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

6 Available-for-sale financial asset

	2017	2016
	RMB'000	*RMB'000*
Available-for-sale financial asset	**84,726**	81,775

Note:

On 22 February 2016, the Group entered into a movie investment agreement with Shanghai Hehe Film Investment Co., Ltd. ("Shanghai Hehe"), a movie executive producer in China, pursuant to which the Group has agreed to acquire 55% of the income right of a movie, Ip Man 3, for 30 years. The purchase consideration of HK$131,168,000 (equivalent to RMB110,000,000) was paid on 23 February 2016. Transaction costs that were directly attributable to the acquisition amounted to RMB1,021,000. Shanghai Hehe guaranteed to the Group that the total income from the income right within 1 year after the first release date will not be less than RMB16,500,000. During the year ended 31 December 2016, Shanghai Hehe acknowledged that the Group could, at minimum, receive RMB128,580,000 from the investment, of which RMB10,000,000 was already settled. The remaining balance was due on 3 January 2017 which was 10 months after the first PRC release date of the movie. The balance has not been settled as at 31 December 2017 and up to the date of this announcement.

The fair value estimate of the investment in the movie income right was based on the expected cash flows discounted using a rate based on the market interest rate and risk premium specific to the investment. Significant unobservable inputs involved in the fair value measurement included the expected timing of settlement and discount rate, which are within level 3 of the fair value hierarchy. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

Management has performed sensitivity analysis for the fair value of the available-for-sale financial asset by adjusting the discount rate and the expected timing of settlement.

Management has assessed the recoverability of the investment in the movie income right, by evaluating past settlement record, advice from the Group's external legal counsel, the Group's on-going liaison with Shanghai Hehe and credit profile of Shanghai Hehe, and considered that no impairment provision is required for the year ended 31 December 2017 (2016: nil).

During the year ended 31 December 2017, an interest income of RMB2,951,000 (2016: interest expense of RMB12,183,000) has been credited to finance income (2016: charged to finance costs) in the consolidated statement of comprehensive income.

7 Trade receivables – net

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**19,820**	20,882
Less: provision for impairment of trade receivables	**(13,752)**	(14,045)
Trade receivables – net	**6,068**	6,837

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:

	2017	2016
	RMB'000	*RMB'000*
1 – 30 days	**1,133**	1,645
31 – 60 days	**252**	1,099
61 – 90 days	**417**	139
91 – 180 days	**1,755**	833
181 – 365 days	**272**	1,838
Over 1 year	**15,991**	15,328
	19,820	20,882
Less: provision for impairment of trade receivables	**(13,752)**	(14,045)
Trade receivables – net	**6,068**	6,837

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

As at 31 December 2017, trade receivables of RMB2,431,000 (2016: RMB2,415,000) were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default and the repayment periods are consistent with the Group's practice.

As at 31 December 2017, trade receivables of RMB13,752,000 (2016: RMB14,045,000) were impaired and provided for. For the year ended 31 December 2017, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB718,000 (2016: RMB821,000).

During the year ended 31 December 2017, no trade receivables (2016: nil) were directly written-off to the consolidated statement of comprehensive income.

8 Prepayments, deposits and other receivables

	2017	2016
	RMB'000	*RMB'000*
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	138,000
Prepayment for acquisition of properties *(note (ii))*	**24,211**	23,626
Deposits to a newspaper publisher *(note (iii))*	**30,000**	30,000
Rental deposits	**3,300**	3,531
Deposit for a proposed acquisition *(note (iv))*	**28,315**	–
Deposit for township development *(note (v))*	**22,000**	–
Prepayment for township operation right *(note (v))*	**28,000**	–
	273,826	195,157
Less: Provision for impairment	**(168,000)**	(168,000)
Prepayments, deposits and other receivables – net	**105,826**	27,157
Current portion		
Prepayment to a newspaper publisher and others *(note (vi))*	**91,386**	89,922
Deposits and other receivables *(note (vii))*	**15,706**	16,101
	107,092	106,023
Less: Provision for impairment	**(103,289)**	(103,289)
Prepayments, deposits and other receivables – net	**3,803**	2,734

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

	2017	2016
	RMB'000	*RMB'000*
RMB	**77,023**	26,314
HK$	**32,606**	3,577
	109,629	29,891

(i) ***Long term prepayment***

As at 31 December 2017 and 2016, long term prepayment represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, in relation to the potential establishment of joint ventures with the metropolitan newspaper publisher.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire prepayment totalling RMB138,000,000 made to Southeast Express has been provided for in prior years.

(ii) ***Prepayment for acquisition of properties***

As at 31 December 2017 and 2016, prepayment for acquisition of properties represents the prepayment paid by the Group to Xiamen Information Group Ltd. for the purchase of certain commercial premises located within Xiamen Software Park III. Total consideration for the properties is RMB22,164,000, out of which RMB15,470,000 were financed by mortgage loans on the properties granted by a bank to the Group. Details of the mortgage loans are disclosed in Note 10. During the year, the Group has capitalised borrowing costs amounting to RMB585,000 (2016: RMB719,000) on the prepayment.

(iii) ***Deposits to a newspaper publisher***

As at 31 December 2017 and 2016, deposit to a newspaper publisher represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, pursuant to exclusive agreements between the Group and the newspaper publisher.

In view of the continuous decline in revenue associated with the exclusive advertising rights over the years, the entire deposit of RMB30,000,000 made to Southeast Express has been provided for in prior years.

(iv) ***Deposit for a proposed acquisition***

Pursuant to the acquisition agreement signed on 8 May 2017, the Group conditionally agreed to acquire and the sellers of Supreme Glory Limited conditionally agreed to sell the entire equity interest in Supreme Glory Limited for a consideration of HK$340,000,000. As at 31 December 2017, the Group paid HK$34,000,000 (equivalent to approximately RMB28,315,000) as a deposit for the acquisition. The deposit is non-interest bearing and is refundable if the acquisition is terminated.

(v) Deposit for township development and prepayment for township operation right

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

During the year ended 31 December 2017, the Group entered into an operation right agreement with the Yongtai Government for the acquisition of a 40-years' exclusive operation right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in the operation site at a consideration of RMB28,000,000. The consideration of RMB28,000,000 is deducted from the RMB50,000,000 refundable deposit placed by the Group with Yongtai Government under the framework agreement.

As at 31 December 2017, the remaining amount of RMB22,000,000 remained as a deposit.

(vi) Prepayment to a newspaper publisher and others

Under the terms of certain advertising agreements with a metropolitan newspaper publisher, namely Southeast Express, the Group has to make prepayments for print media advertising to the newspaper publisher. The amounts prepaid to the metropolitan newspaper publisher can be utilised as advertising costs in the coming 12 months.

As at 31 December 2017, prepayments of RMB89,103,000 (31 December 2016: RMB89,103,000) were impaired and provided for. Management has accessed the recoverability of the prepayments, including the prepayments made to Southeast Express of RMB83,927,000 that have been fully provided for in prior years, and considered no further impairment provision is required for the year ended 31 December 2017.

(vii) Deposits and other receivables

Deposits and other receivables primarily include cash paid to contracted business partners as deposits for operation rights. The deposits are interest free and are refundable upon the expiry of the agreements or on request under mutual consent.

As at 31 December 2017, deposits and other receivables of RMB14,186,000 (31 December 2016: RMB14,186,000) were impaired and provided for. Management has assessed the recoverability of deposits and other receivables including those from Southeast Express of RMB4,162,000 that have been fully provided for in prior years, and considered that no further impairment provision is required for the year ended 31 December 2017.

9 Trade payables

	2017	2016
	RMB'000	*RMB'000*
Trade payables	**4,513**	4,170

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 was as follows:

	2017	2016
	RMB'000	*RMB'000*
1 – 30 days	**547**	699
31 – 90 days	**598**	532
Over 90 days	**3,368**	2,939
	4,513	4,170

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

10 Bank borrowings

	2017	2016
	RMB'000	*RMB'000*
Secured bank borrowings – current *(Note (i))*	**9,113**	11,350

The maturity of the above borrowings based on scheduled repayment dates set out in the loan agreements and excluding the repayment on demand clause is as follows:

	2017	2016
	RMB'000	*RMB'000*
Within 1 year	**2,229**	2,229
Between 1 and 2 years	**2,230**	2,230
Between 2 and 5 years	**4,654**	6,698
Beyond 5 years	**–**	193
	9,113	11,350

Notes (i):

As at 31 December 2017, 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 loans are secured by the ownership rights of the properties and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group.

The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest rate of 1.15 times the benchmark loan interest rate as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the year was 5.71% (2016: 5.81%) per annum.

11 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
Ordinary shares of HK$0.1 each at 31 December 2017 and 2016 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares at 1 January 2016	1,006,942,121	100,694,212	86,295	636,180	722,475
Issuance of ordinary shares *(Note (b))*	200,000,000	20,000,000	16,842	117,475	134,317
Issuance of ordinary shares *(Note (c))*	241,388,000	24,138,800	20,782	63,252	84,034
At 31 December 2016, 1 January 2017 and 31 December 2017	1,448,330,121	144,833,012	123,919	816,907	940,826

Notes:

(a) The Company was incorporated in the Cayman Islands on 9 December 2009 with an authorised share capital of HK$200 million divided into 2,000,000,000 shares of HK$0.1 each.

(b) The Company issued 200,000,000 ordinary shares at HK$0.8 each on 19 February 2016 (representing 16.6% of the total issued ordinary shares of the Company as enlarged by the issuance) to 2 subscribers. The related transaction costs of RMB413,000 have been netted off against share premium.

(c) The Company issued 241,388,000 ordinary shares at HK$0.41 each on 1 August 2016 (representing 16.7% of the total issued ordinary shares of the Company as enlarged by the issuance) to 9 subscribers. The related transaction costs of RMB1,176,000 have been netted off against share premium.

12 Other income and other gain

	2017	2016
	RMB'000	*RMB'000*
Other income:		
Compensation from customers	**–**	1,168
Government grants *(note a)*	**554**	383
Sundry income	**33**	73
	587	1,624
Other gain:		
Gain on disposal of subsidiaries	**–**	3

Notes:

(a) The Group obtained and recognised as income government grants of RMB554,000 (2016: RMB383,000) from the Fujian government authority for the year ended 31 December 2017.

13 Expenses by nature

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

	2017	2016
	RMB'000	*RMB'000*
Cost of newspaper advertising		
– Media costs	**4,008**	16,792
Cost of printing services:		
– Raw materials	**2,018**	1,519
– Other costs	**435**	298
Depreciation	**5,394**	5,644
Amortisation	**488**	495
Auditor's remuneration	**3,675**	3,610
Operating lease charges in respect of land and buildings	**13,318**	11,098
Net loss on disposal of property, plant and equipment	**222**	292
Net (gain)/loss on disposals of properties held for sale	**(753)**	539
Provision for impairment of trade receivables, net of trade receivables written back	**(293)**	(1,703)
Write-off of property, plant and equipment	**–**	4,897
Provision for impairment of properties held for sale *(Note 5)*	**–**	1,152
Net foreign exchange losses/(gains)	**11,584**	(11,420)
Employee benefit expenses (including directors' emoluments)	**43,531**	45,751
Business tax	**437**	1,070

14 Finance income/(costs) – net

	2017	2016
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**430**	160
– Interest income on available-for-sale financial asset *(Note 6)*	**2,951**	–
Total finance income	**3,381**	160
Finance costs:		
– Interest expense on available-for-sale financial asset *(Note 6)*	**–**	12,183
– Interest expense on bank borrowings	**585**	719
Less: amounts capitalised on qualifying assets *(Note 8(ii))*	**(585)**	(719)
Total finance costs	**–**	12,183
Finance income/(costs) – net	**3,381**	(12,023)

15 Income tax expense/(credit)

	2017	2016
	RMB'000	*RMB'000*
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**833**	28
	833	28
Deferred income tax credit	**(120)**	(120)
	713	(92)

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2017 and 2016.

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

	2017	2016
	RMB'000	*RMB'000*
Loss before income tax	**(55,618)**	(56,484)
Tax calculated at domestic rates applicable to profits of the entities in the respective jurisdictions	**(10,263)**	(11,722)
Tax effects of:		
– Income not subject to tax	**(841)**	(1,975)
– Expenses not deductible for tax purposes	**8,922**	6,642
– Tax losses for which no deferred income tax asset was recognised	**3,408**	7,992
– Utilisation of previously unrecognised tax losses	**(513)**	(1,029)
	713	(92)

The weighted average applicable tax rate was 18.5% (2016: 20.8%). The decrease is mainly caused by the incorporation of certain subsidiaries in Hong Kong which were entitled to lower applicable tax rate.

16 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.

	2017	2016
Loss attributable to owners of the Company *(RMB'000)*	**(56,493)**	(57,129)
Weighted average number of shares in issue, including bonus element *(thousands)*	**1,448,330**	1,301,178
Basic loss per share *(RMB per share)*	**(0.0390)**	(0.0439)

(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 2017 (2016: same).

17 Dividend

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

18 Subsequent events

The Company issued 289,666,000 shares at HK$0.145 each on 25 January 2018 (representing 16.7% of the total enlarged ordinary share capital issued) to not less than six independent placees procured by the placing agent. Net proceeds from the share issuance amounted to HK$41,057,000 (approximately RMB33,467,000).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2017, the Chinese economy maintained a momentum of steady growth and continued to fare well. China's gross domestic product (GDP) exceeded RMB82 trillion, representing a year-on-year increase of 6.9%, with as many as 14 cities with GDP exceeding RMB1 trillion. The growth momentum of the secondary and tertiary industries achieved in the first half of the year continued into the second half, with the emerging industry growing at the highest speed. Added value of emerging strategic industries increased by 11.0% for the year as compared with the previous year, serving as the major driving force behind the overall economic growth.

Benefited from the GDP growth and continuously enhanced internet connections, China has become the world's second largest advertising market. According to the 2017 Chinese Advertising Market Review jointly issued by Newspaper and Magazine Branch of the China Advertising Association and CVSC – TNS Research (CTR) Media Intelligence, total Chinese advertising market expanded by 4.3% in 2017, with the traditional advertising segment increasing by 0.2%. The traditional media advertising industry in China has finally stabilized, after many years of constant downtrend. Data in the 2017 Chinese Advertising Market Review showed that Internet advertising increased by 12.4%. Television advertising increased by 1.7% in 2017, as compared with a decline of 3.7% in 2016. Radio advertising increased by 6.9%. Traditional outdoor advertising decreased by 0.4%. That having said, printed media remained in a severe downtrend, with magazine advertising declining by 18.9% and newspaper advertising suffering a decline of 32.5%, being the biggest fall among traditional media.

The structural impacts caused by the popularity of new media and rapidly changing life style of Chinese consumers resulted in an unprecedented blow to Chinese newspaper industry in 2017. The gaining of popularity of mobile terminal news, the massive shift from offline reading to online reading, as well as the emergence of various types of new media on social networking platform all contributed to the decline in circulation of the traditional print media, resulting in a constant fall in advertising revenue since 2012.

During the year under review, the Chinese government promulgated the Film Industry Promotion Law (《電影產業促進法》), the first law in China's cultural sector. The new law implementation was designed to promote the healthy growth of the Chinese film industry, to provide the driving force to China's creative industry and economic transition, and to attract and retain talents in the creativity industry. Last year was a Year for Promotion of Film Quality（電影品質促進年）. The State Administration of Press, Publication, Radio, Film and Television successfully put into effect the Film Industry Promotion Law, and implemented the reformative initiative of decentralization, integrating delegation and regulation, and optimizing services. These measures promoted the sustainable, healthy and prosperous development of the film industry, brought more energy into the market and regulated the development and market order of the industry.

Business Review

Given the rapid development of new media and other forms of online interactive advertising in recent years, China's advertising industry inevitably underwent structural adjustments. The advertising market is rapidly switching from the traditional print media to the Internet and other new media.

For the twelve months ended 31 December 2017, the Group recorded revenue of RMB43.4 million, representing a year-on-year decrease of 24.9%. The gross profit for the period was RMB12.0 million, representing a year-on-year increase of 23.7%. The gross profit margin reached 27.7%, representing an increase of 10.9 percentage point as compared with the previous year. During the period, the net loss after taxation decreased to approximately RMB56.3 million (2016: approximately RMB56.4 million). With intensified competition from online new media and the accelerated transformation of the adverting industry ecology, the Group's principal business of traditional newspaper advertising was adversely affected, resulting in a decrease in revenue for the year.

During the year under review, the Group continued to explore opportunities in film and television projects, with the aim of capitalising on the blooming development of Chinese massive film, television and cultural markets as well as the synergizing of new media with the traditional offline cultural business of the Group.

Newspaper advertising

The business environment became more challenging in the print media market as the market was hit by new online media. Under the pressure and threat from the new media and the Internet, the daily circulation and the number of printed pages of Southeast Express operated by the Group remained unsatisfactory, resulting in a decrease of the advertising revenue from the newspaper to RMB7.2 million for 2017 (2016: RMB17.1 million). However, the gross profit margin for 2017 reached a relatively high level of 40.9% as compared with a gross loss for 2016, principally due to the adoption of cost control and efficiency enhancement measures during the year under review.

Marketing and printing services

In the second half of 2017, China implemented macro-tightening measures for the real estate market. Under such macro conditions, the overall business contribution from the marketing and printing services business was close to that for the corresponding period of the previous year, attributable to the Group's long-established capital strength, technological edge and professional team. During the year under review, the Group's revenue from that segment was approximately RMB36.2 million (2016: RMB40.6 million), representing 83.4% of the revenue from the core businesses, and the gross profit margin was 24.9% (2016: 26.2%).

FINANCIAL REVIEW

Revenue

Total revenue decreased by 24.9% from RMB57.8 million for the year ended 31 December 2016 to RMB43.4 million for the year ended 31 December 2017, primarily due to the reduced advertising spending by the Group's customers as a result of the combined effect of property macro-tightening measures and switching from printed media to new media. Revenue from newspaper advertising decreased from RMB17.1 million for the year ended 31 December 2016 to RMB7.2 million for the year ended 31 December 2017. Revenue from marketing and printing services decreased from RMB40.6 million for the year ended 31 December 2016 to RMB36.2 million for the year ended 31 December 2017.

Gross profit and gross profit margin

Gross profit increased by 23.7% from RMB9.7 million for the year ended 31 December 2016 to RMB12.0 million for the year ended 31 December 2017. Gross profit margin improved from 16.8% in 2016 to 27.7% in 2017, which was primarily attributable to turnaround of gross margin of newspaper advertising from a gross loss margin of -5.4% for 2016 to a 40.9% gross profit margin for 2017, principally due to the adoption of cost control and efficiency enhancement measures.

Other income

Other income decreased by 62.5% from RMB1.6 million for the year ended 31 December 2016 to RMB0.6 million for the year ended 31 December 2017. In 2016, the Group received a one-off government financial grant of RMB1.2 million which was recorded as other income. No similar grant was received in 2017.

Other gain

There is no other gain for the year ended 31 December 2017 while the other gain amounted to RMB3,000 for the year ended 31 December 2016 mainly represented gain on disposal of a subsidiary.

Selling and marketing expenses

Selling and marketing expenses decreased by 31.3% from RMB8.0 million for the year ended 31 December 2016 to RMB5.5 million for the year ended 31 December 2017, mainly due to the combined effect of decreased customer orders and the adoption of cost control and efficiency enhancement measures during the year.

General and administrative expenses

General and administrative expenses increased by 38.0% from RMB47.9 million for the year ended 31 December 2016 to RMB66.1 million for the year ended 31 December 2017, mainly due to the increase in foreign exchange loss of RMB 23.0 million and increase in the leasing expense of RMB2.6 million, which was partly offset by the decrease in the provision for impairment.

Loss before income tax

As a result of the above factors, loss before income tax for the year ended 31 December 2017 was RMB55.6 million, representing a decrease of 1.6% as compared to loss before income tax of RMB56.5 million for the year ended 31 December 2016.

Income tax (expense)/credit

Income tax expense increased by RMB0.8 million from income tax credit of RMB0.1 million for the year ended 31 December 2016 to income tax expense of RMB0.7 million for the year ended 31 December 2017 as a result of the increase in taxable income from a subsidiary providing marketing services.

Loss for the year

The Group recorded a net loss for the year of RMB56.3 million for the year ended 31 December 2017, mainly attributable to the decline in advertising revenue, high staff costs and rental expense and increase in foreign exchange loss.

Profit attributable to non-controlling interests

As a result of the above factors, profit attributable to non-controlling interests decreased from profit of RMB0.7 million for the year ended 31 December 2016 to profit of RMB0.2 million for the year ended 31 December 2017.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company decreased from RMB57.1 million for the year ended 31 December 2016 to RMB56.5 million for the year ended 31 December 2017.

Liquidity and capital resources

The Group's management monitors current and expected liquidity requirements regularly to ensure the Group has sufficient working capital to meet its future obligations as and when they fall due. During the year ended 31 December 2017, the Group recorded a net loss of RMB56.3 million and a net cash outflow of RMB115.3 million. The management closely monitors the Group's liquidity position and is implementing measures to improve the Group's cash flow.

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Net cash used in operating activities	**(34,687)**	(47,318)
Net cash used in investing activities	**(80,477)**	(106,620)
Net cash (used in)/generated from financing activities	**(122)**	216,114
Net (decrease)/increase in cash and cash equivalents	**(115,286)**	62,176
Cash and cash equivalents at beginning of the year	**182,833**	109,492
Exchange (losses)/gains on cash and cash equivalents	**(7,369)**	11,165
Cash and cash equivalents at end of the year	**60,178**	182,833

Cash flows used in operating activities

For the year ended 31 December 2017, net cash used in operating activities amounted to RMB34.7 million, primarily attributable to the net loss for the year amounted to RMB56.3 million.

Cash flows used in investing activities

For the year ended 31 December 2017, net cash used in investing activities amounted to RMB80.5 million, resulted primarily from prepayment of RMB28.0 million for the Yongtai operation right, deposit of RMB22 million paid to Yongtai Government under the framework agreement, and deposit of RMB29.9 million paid for the proposed acquisition of the entire equity interest in Supreme Glory Limited, but offset by the addition and disposal of equipment.

Cash flows (used in)/generated from financing activities

For the year ended 31 December 2017, net cash used in financing activities amounted to RMB0.1 million, mainly attributable to repayments of bank borrowings of RMB2.2 million, offset by the capital contribution from a non-controlling interest shareholder of RMB2.1 million.

Capital expenditures

Capital expenditures incurred during the year are mainly for the renovation of office and the purchase of motor vehicles. Capital expenditures were RMB6.5 million and RMB0.9 million for the years ended 31 December 2016 and 2017, respectively.

Trade receivables – net

The following table sets out the aging analysis of the Group's trade receivables at the dates indicated:

	As at 31 December	
	2017	2016
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**1,133**	1,645
31 – 60 days	**252**	1,099
61 – 90 days	**417**	139
91 – 180 days	**1,755**	833
181 – 365 days	**272**	1,838
Over 1 year	**15,991**	15,328
Total	**19,820**	20,882
Less: provision for impairment of trade receivables	**(13,752)**	(14,045)
Total trade receivables – net	**6,068**	6,837

Trade receivables decreased by 10.3% from RMB6.8 million as at 31 December 2016 to RMB6.1 million as at 31 December 2017. Such decrease was mainly attributable to the drop in revenue during the year.

Properties held for sale

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Properties held for sale	**34,519**	43,774

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 the market value of the properties as assessed by an independent property valuer. After considering such valuation, the management is of the view that the carrying amount of the properties exceeds their fair value less costs to sell, and therefore no further impairment provision is necessary for the year ended 31 December 2017 (2016: RMB1,152,000).

Trade payables

	As at 31 December	
	2017	2016
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**547**	699
31 – 90 days	**598**	532
Over 90 days	**3,368**	2,939
Total	**4,513**	4,170

Trade payables increased by 7.1% from RMB4.2 million as at 31 December 2016 to RMB4.5 million as at 31 December 2017. Trade payables turnover days increased from 464 days for the year ended 31 December 2016 to 609 days for the year ended 31 December 2017, which was mainly due to the longer settlement period of payables during the year.

Indebtedness

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

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 (Note 8(ii)). 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 2017, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest of 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the year was 5.71% per annum.

Gearing ratio, being the proportion of the Group's total borrowings to total assets, decreased from 3.1% for the year ended 31 December 2016 to 2.9% for the year ended 31 December 2017.

The HK$60 million facility as disclosed in the Company's announcement dated 28 September 2017 was not drawndown and was allowed to lapse on the extend drawdown deadline of 26 January 2018, due to the delay in completion of the acquisition of Supreme Glory Limited.

On 14 March 2018, the Group obtained banking facilities with a facility limit of RMB100,000,000 and a facility period from 14 March 2018 to 13 March 2019.

Commitments

Operating lease commitments – Group

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Not later than 1 year	**12,952**	12,425
Later than 1 year and not later than 5 years	**3,351**	14,957
	16,303	27,382

Contingent liabilities

As at 31 December 2017 and 2016, the Group had no material contingent liabilities.

Human resources

As at 31 December 2017, the Group had 218 full-time employees (2016: 238). Total staff costs including directors' remuneration for the year ended 31 December 2017 were RMB43.5 million (2016: RMB45.8 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.

Events after the reporting period

Subsequent to the end of the reporting period, the Company had issued 289,666,000 Shares at the placing price of HK$ 0.145 each on 25 January 2018 (representing 16.7% of the total issued share capital of the Company) to not less than six independent placees procured by the placing agent. Net proceeds from the share issuance amounted to HK$41,057,000 (approximately RMB 33,467,000).

Prospects

Looking forward, the management expects that the film market in China will continue to prosper. With the implementation of the new law, local Chinese films shall account for at least two-thirds of screening time at cinemas, thereby boosting the demand and growth for local film production. In addition, the rise of live webcast and online television drama series is expected to benefit the film industry in China. With the established corporate image and expertise in cultural, creativity and content-provision, the Group will continue to identify investment opportunities to tap the development of mainland film industry.

During the year under review, the Group signed a framework agreement with the government of Yongtai County, Fuzhou City, Fujian Province to cooperate on the establishment of "Yongtai Kungfu Distinctive Town" at a site of 15.6 square kilometers designated by Yongtai Government, and later acquired a 40-years' exclusive operation right to develop, construct, manage and operate commercial activities such as tourism, sightseeing, resort, culture, sports and entertainment in an operation site of 14.99 square kilometers (within the project site of 15.6 square kilometers). The management is hopeful that the Group's participation in the Yongtai Project can strengthen the Group's existing business of integrated project development, broaden the Group's income stream in the long run and reduce its reliance on the downtrend printed media business.

During the year under review, the Group also announced the proposed acquisition of Supreme Glory Limited, which is engaged in a multi-purpose media, resort and ecotourism project known as Beijing Shihua Caves Niaoyulin(北京石花洞鳥語林). Subject to completion, this project is expected to be partially completed and commence commercial operation in 2018. The management is of the view that this project can leverage on the Group's established industry experience in cultural, creativity and content-provision and consolidate with the existing integrated project development business of the Group. The management is also hopeful that the project will enable the Group to diversify its revenue stream.

The management expects that the market share and size of China's newspaper industry will continue to decline, while the balance will continue to be tilted in favour of Internet and mobile based advertising using precise targeting technologies, new media channels and social networking using big data and other new information technologies. The Group will continue to develop its digital media distribution platform, recruit staff with talents and experience in mobile and Internet technologies, and strengthen the research and development team with the view to preparing itself for the structural transformation of the media and advertising industries.

As for the marketing and printing services, the Group will continue to build on the solid advertising and marketing foundation over the past to improve operational capabilities of the team in the segment, and prudently allocate resources to this business segment. The Group will explore more real estate projects, especially those with profitable opportunities arising from the comprehensive marketing services for property projects, to sustain long-term profit contribution of the business segment to the Group.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2018 to 25 May 2018, both days inclusive, during which no transfer of shares will be registered. To determine eligibility to attend and vote at the forthcoming annual general meeting of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 22 May 2018.

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. Siuming Tsui was the CEO of the Company and the position of chairman of the Company was vacated. The Company is identifying suitable candidate to fill the vacancy of chairman.

Code Provision A.2.1

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

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

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting.

The Board has invited Mr. Chen Zhi, an executive director and ex-chairman of the Company to act as the chairman of the annual general meeting of the Company which was held on 25 May 2017, as the position of the chairman of the Company has been vacated since 1 April 2016. The Board considered that Mr. Chen Zhi was the appropriate person to answer questions, if any, from shareholders at the annual general meeting.

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 2017.

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 has also held meeting with the Group's external auditor, PricewaterhouseCoopers, without the presence of executive directors and management of the Group, to discuss matters arising from the auditing and report to the Board of material issues, if any, and make recommendations to the Board. 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 consolidated financial statements for the year ended 31 December 2017.

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 2017 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 draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

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 2017.

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). An annual report of the Company for the year ended 31 December 2017 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
Siuming Tsui
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2018

As at the date of this announcement, the executive directors of the Company are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi and Mr. Yu Shiquan; the non-executive directors of the Company are Mr. Chen Wei Dong and Ms. Chen Min; and the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jianquan.