SHIFANG HOLDING LIMITED
十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01831)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- The Company was successfully listed on the Main Board of the Stock Exchange on 3 December 2010 and raised net proceeds of RMB402.6 million through the global offering of its shares.

- Revenue increased by approximately 14.4% from approximately RMB463.0 million for the year ended 31 December 2009 to approximately RMB529.9 million for the year ended 31 December 2010, as a result of the increase in revenue from newspaper advertising, online services, television and radio advertising by approximately RMB36.9 million, RMB18.2 million and RMB14.4 million respectively.

- Gross profit increased by approximately 16.3% from approximately RMB219.9 million for the year ended 31 December 2009 to approximately RMB255.8 million for the year ended 31 December 2010. Gross profit margin for the reporting period was approximately 48.3% (2009: approximately 47.5%).

- Basic earnings per share increased by approximately 11.5% from RMB0.2564 per share to RMB0.2858 per share, reflecting strong revenue and profit growth.

- Gearing, measured as total borrowings divided by total assets, improved significantly from approximately 16.8% as at 31 December 2009 to approximately 4.3% as at 31 December 2010, mainly attributable to the increase in total assets by approximately RMB785.4 million to approximately RMB1,285.0 million as a result of the profit for the year, the net proceeds from the capital injection from equity holders in January 2010 and the global offering of the Company's shares in December 2010.

Unless the context otherwise specifies, terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 22 November 2010 (the "**Prospectus**").

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2010 together with the comparative figures for the corresponding year of 2009.

The financial information set out in this announcement below does not constitute the Group's statutory financial statements for the year ended 31 December 2010 but represents an extract from those financial statements. The financial information has been reviewed by the audit committee of the Company (the "**Audit Committee**") and the Group's consolidated financial statements for the year ended 31 December 2010 have been agreed by the Group's external auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. 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 in this announcement.

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Note	As at 31 December **2010** *RMB'000*	2009 *RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**51,315**	34,550
Investment properties		**1,817**	–
Intangible assets		**4,198**	3,769
Prepayments, deposits and other receivables	*5*	**190,000**	60,000
		247,330	98,319
Current assets			
Inventories		**5,287**	3,954
Assets held for sale		**29,848**	22,885
Trade receivables – net	*4*	**254,629**	154,302
Prepayments, deposits and other receivables	*5*	**187,773**	145,817
Amount due from immediate holding company		**–**	12,891
Amounts due from related parties		**14,135**	20,777
Cash and cash equivalents		**546,001**	40,643
		1,037,673	401,269
Total assets		**1,285,003**	499,588
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*7*	**63,860**	–
Share premium	*7*	**540,311**	–
Other reserves		**91,268**	81,123
Retained earnings		**375,675**	220,170
		1,071,114	301,293
Non-controlling interest		**472**	487
Total equity		**1,071,586**	301,780

	Note	As at 31 December 2010 RMB'000	2009 RMB'000
LIABILITIES			
Non-current liability			
Borrowing		**2,789**	–
		2,789	–
Current liabilities			
Trade payables	*6*	**4,164**	3,722
Other payables and accrued expenses		**114,825**	56,445
Current income tax liabilities		**34,678**	28,065
Borrowings		**51,818**	47,260
Amounts due to directors		**1,973**	1,374
Amount due to immediate holding company		**1,731**	–
Amounts due to related parties		**1,439**	60,942
		210,628	197,808
Total liabilities		**213,417**	197,808
Total equity and liabilities		**1,285,003**	499,588
Net current assets		**827,045**	203,461
Total assets less current liabilities		**1,074,375**	301,780

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

		Year ended 31 December	
	Note	**2010**	2009
		RMB'000	*RMB'000*
Revenues	*2*	**529,940**	462,967
Cost of sales	*9*	**(274,144)**	(243,090)
Gross profit		**255,796**	219,877
Selling and marketing expenses	*9*	**(26,770)**	(22,565)
General and administrative expenses	*9*	**(51,994)**	(34,776)
Other income – net	*8*	**9,591**	6,113
Operating profit		**186,623**	168,649
Finance income	*10*	**274**	46
Finance costs	*10*	**(1,462)**	(3,270)
Finance costs – net		**(1,188)**	(3,224)
Profit before income tax		**185,435**	165,425
Income tax expenses	*11*	**(24,355)**	(24,645)
Profit for the year		**161,080**	140,780
Other comprehensive income			
– Revaluation surplus		**919**	–
Total comprehensive income for the year		**161,999**	140,780
Profit/(loss) attributable to:			
– Equity holders of the Company		**161,095**	140,819
– Non-controlling interests		**(15)**	(39)
		161,080	140,780

	Note	Year ended 31 December 2010 RMB'000	2009 RMB'000
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**162,014**	140,819
– Non-controlling interests		**(15)**	(39)
		161,999	140,780
Earnings per share for profit attributable to equity holders of the Company			
– Basic (RMB per share)	*12*	**0.2858**	0.2564
– Diluted (RMB per share)	*12*	**0.2824**	0.2564
Dividend	*13*	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1 Corporate information and basis of preparation

1.1 Corporate information

ShiFang Holding Limited (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, KY 1-1104, Cayman Islands.

On 3 December 2010 (the "Listing Date"), the shares of the Company became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), pursuant to which 183,042,000 new shares of HK$0.1 each were issued by the Company (the "Global Offering").

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 of the Company (the "Board") on 29 March 2011.

1.2 Statement of Compliance

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), using the historical cost convention as modified by the revaluation of investment properties, which are carried at fair value.

The preparation of consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Change in accounting policy and disclosures

(a) New and amended standards effective in 2010

The Group has adopted the following new and amended standards and interpretation as at 1 January 2010:

•	IFRIC 17	Distribution of non-cash assets to owners
•	IAS 27 (revised)	Consolidated and separate financial statements
•	IFRS 3 (revised)	Business combinations
•	IAS 38 (amendment)	Intangible assets
•	IFRS 5 (amendment)	Measurement of non-current assets (or disposal groups) classified as held for sale
•	IAS 1 (amendment)	Presentation of financial statements
•	IFRS 2 (amendment)	Share-based payment

(b) New and amended standards that are not yet effective and have not been adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory and relevant for the Group's accounting periods beginning on or after 1 January 2011, or later periods, but the Group has not early adopted them:

IAS 24 'Related party disclosures' primarily amends the disclosure requirements applicable to government-related entities and, more generally, the definition of a related party. Government-related entities are defined as those entities which are controlled, jointly controlled or significantly influenced by a government (which term includes government agencies and similar bodies, whether local, national or international). The amendments aim to provide relief from disclosure of information by government-related entities in respect of transactions with the government-related entities to which the reporting entity is related, or transactions with other entities related to the same government, where the information may be costly to gather and of less value to users. In respect of the definition of a related party, the amendments aim to simplify the definition and remove inconsistencies.

The source of IFRS 9 "Financial Instruments", IFRS 9, is the first finalised part of a wider project being undertaken by the IASB to reduce the complexity of the current requirements and to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 deals with classification and measurement of financial assets only. The Standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value, with the basis of classification dependent on the entity's business model and the contractual cash flow characteristics of the financial assets. Further parts of the project, which are expected to be completed by the end of 2010, will deal with impairment of financial assets, measurement of financial liabilities, derecognition of financial instruments, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but may be applied earlier. An early adopter of IFRS 9 continues to apply IAS 39 for other accounting requirements for financial instruments within its scope that are not covered by IFRS 9. In general, the Standard requires retrospective adoption (i.e. the comparatives should be restated in the first year of adoption) unless it is adopted for a period beginning before 1 January 2012 (in which case adjustments are required to opening balances in first period of adoption). There are several other exceptions to this principal where extensive transitional provisions have been set out.

The Group has already commenced an assessment of the impact of above new standards, revised standards and amendments to existing standards and interpretations but is not yet in a position to state whether the new standards, revised standards and amendments to existing standards and interpretations would have a significant impact to its results of operations and financial position.

2 Revenues

Revenues from external customers are derived from the provision of newspaper advertising services to advertisers in the People's Republic of China ("PRC"), online services, including electronic dissemination of publication and provision of online system development services to newspaper publishers, and the provision of distribution management, consulting, printing services, television and radio advertising, outdoor advertising services and activities. The amount of the Group's five largest customers in aggregate to the Group's total revenues is RMB70,569,000 at 31 December 2010 (2009: RMB68,330,000).

Analysis of the revenues by category is as follows:

	2010	2009
	RMB'000	*RMB'000*
Newspaper advertising	**408,654**	371,772
Online services	**65,310**	47,061
Distribution management, consulting and printing services	**41,538**	44,134
Television and radio advertising	**14,438**	–
	529,940	462,967

3 Segment information

The Board has been identified as the chief operating decision maker. Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board assesses the performance of the Group's publishing and advertising businesses from both geographic and product perspectives. Geographically, management considers the Group's publishing and advertising businesses are primarily operated in the PRC. All of the Group's publishing and advertising businesses activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". As such, no segment information is presented.

4 Trade receivables – net

	2010	2009
	RMB'000	*RMB'000*
Trade receivables	**261,799**	156,034
Less: provision for impairment of trade receivables	**(7,170)**	(1,732)
Trade receivables – net	**254,629**	154,302

The fair values of trade receivables approximate their carrying values.

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

	2010	2009
	RMB'000	*RMB'000*
1 – 30 days	**33,373**	32,102
31 – 60 days	**26,661**	19,180
61 – 90 days	**20,510**	9,451
91 – 365 days	**142,671**	80,306
Over 1 year	**38,584**	14,995
	261,799	156,034
Less: provision for impairment on trade receivables	**(7,170)**	(1,732)
Trade receivables – net	**254,629**	154,302

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

The creation and release of provision for impaired receivables have been included in "General and administrative expenses" in the consolidated statement of comprehensive income. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash. Apart from the trade receivables with impairment provided, the remaining trade receivables do not contain impaired assets.

The maximum exposures of the Group to credit risk as at 31 December 2010 and 2009 were the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

5 Prepayments, deposits and other receivables

	2010	2009
	RMB'000	*RMB'000*
Non-current portion:		
Prepayment for long term investment	**98,000**	–
Deposits to newspaper publishers	**92,000**	60,000
	190,000	60,000
Current portion:		
Prepayments	**124,620**	98,488
Deposits and other receivables	**63,153**	47,329
	187,773	145,817
Total	**377,773**	205,817

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in RMB.

6 Trade payables

	2010	2009
	RMB'000	*RMB'000*
Trade payables	**4,164**	3,722

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods ranging 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 date of receipt of goods is as follows:

	2010	2009
	RMB'000	*RMB'000*
1 – 30 days	**1,463**	1,751
31 – 90 days	**808**	441
Over 90 days	**1,893**	1,530
	4,164	3,722

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

7 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 9 December 2009 and 31 December 2010 and 2009 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares of HK$0.1 each at 9 December 2009 and 1 January 2010 *(Note (a))*	1	0.1	–	–	–
Allotment of new ordinary shares of HK$0.1 each *(Note (b))*	549,123,120	54,912,312	48,284	190,657	238,941
Share issued in connection with the Global Offering *(Note (c))*	183,042,000	18,304,200	15,576	456,365	471,941
Share issuance cost	–	–	–	(106,711)	(106,711)
Ordinary shares of HK$0.1 each at 31 December 2010	732,165,121	73,216,512	63,860	540,311	604,171

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. On the same date, the Company issued and allotted one share, credited as fully paid at par, to China TopReach Inc., the immediate holding company of the Company.

(b) Pursuant to a resolution dated 18 January 2010 and a share subscription agreement on 5 February 2010, the Company's issued share capital was increased from RMB0.1 to RMB48,284,000, by the issuance of 549,123,120 shares of HK$0.1 each.

(c) On 3 December 2010, the Company issued 183,042,000 new shares of HK$0.1 each in relation to the Global Offering.

8 Other income – net

	2010	2009
	RMB'000	*RMB'000*
Sale of newsprint papers	**1,451**	1,724
Sale of scrap material	**2,702**	1,734
Government grant	**4,293**	1,945
Sundry income	**1,145**	710
	9,591	6,113

The Group has recognised government grants of RMB4,293,000 and RMB1,945,000 from the Fujian government authority for the year ended 31 December 2010 and 2009, respectively, as an incentive to expand the business and develop the economy in the PRC. This incentive is granted as the relevant subsidiaries of the Group have taxable profits for the respective years.

9 Profit before income tax

Profit before income tax is stated after charging and (crediting) the following:

	2010	2009
	RMB'000	*RMB'000*
Auditors' remuneration	**937**	62
Cost of newspaper advertising		
– Media costs	**222,864**	209,283
Cost of online services	**2,021**	1,123
Cost of television and radio advertising		
– Media costs	**11,070**	–
Cost of distribution management, consulting and printing services:		
– Raw material	**4,317**	3,630
– Media costs	**4,711**	4,188
– Other costs	**1,420**	1,003
Depreciation	**6,081**	5,292
Amortisation	**601**	565
Operating lease charges in respect of land and building	**3,354**	3,696
Net loss on disposals of property, plant and equipment	**60**	17
Provision for impairment on trade receivables	**5,438**	858
Net foreign exchange loss/(gain)	**2,969**	(178)
Employee benefit expenses (including directors' emoluments)	**49,765**	38,746
Business tax	**21,108**	17,487

10 Finance income and costs

	2010	2009
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**274**	46
Interest expenses on:		
– Bank borrowings	**(1,462)**	(3,117)
– Other loans	**–**	(153)
	(1,462)	(3,270)
Finance costs – net	**(1,188)**	(3,224)

11 Income tax expenses

	2010	2009
	RMB'000	*RMB'000*
Mainland China Enterprise Income Tax ("EIT")		
– Current tax	**24,013**	24,956
– Under/(over) provision in prior years	**342**	(311)
Total income tax expenses	**24,355**	24,645

The Group is not subject to Hong Kong profits tax as it has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2010 and 2009.

Subsequent to the effective date of the China Corporate Income Tax ("CIT") Law on 1 January 2008, Kunming HongLianXin continued to enjoy its three-year tax exemption period that commenced from 1 January 2006 with a follow-on two-year 50% tax reduction through 2010. Fuzhou HongXinTu continued to enjoy its two-year tax exemption period that commenced from 1 January 2007 with a follow-on three-year 50% tax reduction through 2011. Shifang YaQi was entitled to the grandfathering treatment where the applicable CIT rate phased-in from 18% to 25% over a period of 5 years through 2013. Xiamen DuKe accredited as an approved High and New Technology Enterprise ("HNTE") located in the High Technology Development Zone, was entitled to a two-year tax exemption period that commented from 1 January 2008 which was included as one of the transitional preferential treatments stipulated in Circular 39. Xiamen DuKe was then re-assessed as a HNTE under the new CIT law regime and become eligible to enjoy a reduced CIT rate of 15% upon the expiry of CIT holiday in 2009.

12 Earnings per share

(a) Basic

Basic earnings per share for the years ended 31 December 2010 and 2009 is calculated by dividing the profit attributable to the equity holders of the Company by the deemed weighted average number of ordinary shares in issue during the year.

The number of ordinary shares used for the calculation of earnings per share for the year ended 31 December 2009, is the aggregate number of shares which are outstanding as at 18 January 2010 which included the ordinary shares issued as part of the reorganisation in preparation for the listing on the Stock Exchange as disclosed in Note 1.1.

	2010	2009
Profit attributable to equity holders of the Company *(RMB'000)*	**161,095**	140,819
Weight average number of shares in issue *(thousands)*	**563,666**	549,123
Basic earnings per share *(RMB per share)*	**0.2858**	0.2564

12 Earnings per share *(Continued)*

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2010, the Company's share options issued under the Pre-IPO share option was the sole category of dilutive potential ordinary shares.

	2010	2009
Profit attributable to the equity holders of the Company *(RMB'000)*	**161,095**	140,819
Weighted average number of ordinary shares issued *(thousands)*	**563,666**	549,123
Adjustment for share option *(thousands)*	**6,796**	–
Weighted average number of ordinary shares issued for diluted earnings per share *(thousands)*	**570,462**	549,123
Diluted earnings per share *(RMB per share)*	**0.2824**	0.2564

13 Dividend

No dividend has been declared by the Company since its incorporation. The Board does not recommend the payment of any dividend for the year ended 31 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group derives income from four major sources, namely (i) newspaper advertising; (ii) online services; (iii) distribution management, consulting and printing services; and (iv) television and radio advertising. As of 31 December 2010, the Group's businesses have extended to over 16 second-tier and third-tier cities across eight provinces in the PRC. The Group is set to offer one-stop solutions to advertisers and create value for our customers. Although the newspaper advertising business is our major revenue source, the Group is actively developing television and radio advertising, online services and digital media advertising businesses so as to provide comprehensive advertising services to advertisers.

During the year ended 31 December 2010, the PRC domestic economy grew steadily. Domestic consumption was boosted by a series of proactive economic stimulus measures launched by the central government, and the consumption growth in cities was particularly resilient. The advertising industry has experienced a strong rebound and rapid growth after the financial crisis. On the back of increased demand for advertising and marketing services in second-tier and third-tier cities in China, the Group recorded turnover of RMB529.9 million in 2010, representing an increase of 14.4% as compared to the corresponding period last year. Profit attributable to equity holders of the Company amounted to RMB161.1 million, representing an increase of 14.4% as compared to the corresponding period last year and 0.9% higher than the profit forecast of RMB159.7 million as stated in the Prospectus.

Diversified advertiser base

After years of persistent and ambitious business expansion, the Group has developed a diverse customer base covering a wide spectrum of industries in the cities in which we operate, including consumer products, real estate, 3C (computer, communication and consumer products), telecommunications, home appliance retailing, automotive, home construction materials, healthcare and medical, education and classified ad sectors. Advertising for consumer products has been the Group's largest advertising source, followed by real estate, automotive, 3C (computer, communication and consumer products), medical institutions and medical and healthcare products. Our future strategy is to further increase the media placement amount and the proportion of consumer products advertising gradually.

We have professional teams who understand the needs of customers in their specific industries. Our customer relations team is responsible for planning and organising industry-oriented promotional events and activities. Both our customers and relevant industry participants are invited to participate in these activities in order to consolidate our relationship with existing advertisers and establish new business relationships with prospective customers.

In order to further expand our customer base and attract more potential customers, we intend to introduce high quality advertising packages that address their marketing needs. These packages, created by our all-round and powerful design and content planning team, enhance the quality and broaden the range of value-added services offered by us to our customers. We also plan to implement Media Advertising Information Tracking System (MAITS) which will help us strengthen our local operation and provide more in-depth analysis on advertising data to customers who seek to advertise in different locations throughout the PRC.

Newspaper advertising

In 2010, the national newspaper advertising income exhibited stable growth while the Group achieved a growth rate of 9.9% in revenue, which outpaced the overall industry growth level. Newspaper advertising is the Group's biggest revenue source, with a turnover of RMB408.7 million for the year ended 31 December 2010, representing an increase of 9.9% as compared to the corresponding period last year and accounting for 77.1% of our aggregate turnover, which was mainly attributable to an overall increase in the number of advertisements placed by advertisers and the unit price of each advertisement.

As of 31 December 2010, the Group partnered with 11 publications in over 16 second-tier and third-tier cities across eight provinces in the PRC, including *Southeast Express, Lifestyle Express, Shenyang Evening News, Modern Life Daily, Yan Zhao Metropolitan Newspaper Jidong Edition, Southeast Business, Jinhua Daily, Jinhua Evening News, Dalian Daily, Changjiang Business* and *Central Guizhou Morning Post*. These newspapers have granted the Group exclusive rights to sell their advertising space. In connection with the sales of advertising space, we offer value-added one-stop advertising services solution such as target markets and readership analysis, content development and planning, design, layout development, editing and event organisation to our customers.

During the year ended 31 December 2010, the Group pro-actively optimised our operating strategy and services, and consolidated our resources, in accordance with the applicable regulations in various industries in the PRC. Following the introduction of advertising regulations by the central government on the medical and medicine industry in 2010 which places certain restrictions on the content of healthcare and medical advertisements, we have aggressively refined and rationalized our resources with the support of our long-standing advertising customers, readers and partners. Our initiative began in Fuzhou, Fujian where we have established strategic cooperation with experts from 10 public hospitals to serve readers by publishing health advice, consultation and features, thereby transforming newspaper advertisements into interactive materials between experts and readers, and provided policy-oriented solutions to advertisers at the same time.

To enhance our position as an integrated print media service provider and capture the opportunities brought by the national reform of the cultural industry, the Group will consider participating in the shareholding restructuring of newspaper media in the PRC and consolidate our operating platform through equity investment and cooperation. Meanwhile, the Group will continue to forage for multi-city media partners in key regions supported by the central government, such as the Bohai Bay and Gulf of Tonkin regions, Northeastern and Central China, and the Southeastern coastal China region, with an aim of expanding the market coverage and enhancing the market position of the Company. Furthermore, the Group will also consolidate and explore the information on our advertising customers and target readers over the years so as to further enhance the value of our customer services.

Online services

Leveraging the technology trend and increasing numbers of digital media, the Group has developed online services and digital media related business. The online services business derives its income and increases its profit mainly through publishing printed contents by digital means. During the year ended 31 December 2010, turnover of the Group's online services and digital media related businesses amounted to RMB65.3 million, accounting for 12.3% of the Group's total income and representing an increase of 38.8% as compared with the corresponding period last year.

After having received the written approval for the issuance of an internet publishing license by the General Administration of Press and Publication of the PRC at the end of 2010, we have accelerated the development of our Internet and digital publishing businesses. We are now enhancing the contents, functions and features of our website named Duk (www.duk.cn), including the posting of contents from different new sources, so as to attract younger readers who are more used to reading news and other information on the Internet instead of newspapers. Being one of the largest digital media publishing platforms in the PRC, this website mainly publishes electronic magazines, digital newspapers, online novels etc on its online platform. Currently, it has online publishing right agreements with over 40 publishers and 610 magazine publishing houses with 5,000 magazines as well as digital publishing cooperation with 16 daily, evening and commercial newspapers in various cities. Its total circulation of online novels amounted to over 120,000 volumes and the accumulated circulation of electronic periodicals, electronic magazines and digital newspapers has reached over 230 million volumes or pieces.

The Group is optimistic about the business and the growth potential of the mobile phone reading market. It is estimated that by 2013, sales in the PRC mobile reading market will reach RMB6,531 million with 369 million active subscribers, according to a survey by Analyses International. The Group continues to focus on the development of end-market wireless mobile reading platforms and has introduced client end platforms for operating systems compatible with iPhone, iPad and Android in order to create a closer bond with content providers such as newspapers, books and publishers, and strengthen the promotion and advertising of the platforms. The Group has built a wireless team in Beijing in 2010 for the launch of Duk WAP Website (讀客WAP網站) and Duk 讀客通 mobile phone reading software for Symbian systems. Meanwhile, the applications for software patents for Duk WAP Mobile Phone WEB Reading System V1.0 (讀客WAP手機在線閱讀系統v1.0) and Duk Mobile Phone Client End System V1.0 (讀客手機客戶端系統v1.0) have been approved.

Distribution management, consultation and printing services

Turnover of the Group's distribution management, consultation and printing services amounted to RMB41.5 million for the year ended 31 December 2010, accounting for 7.8% of the Group's total income and representing a decrease of 5.9% as compared to the corresponding period last year. The decrease was mainly due to a drop in the income from outdoor distribution and promotional activities. We believe that such decrease was only temporary and remain confident in the prospect of our business in this sector.

The Group conducts direct sales of advertising services and space to customers, including both end-advertisers and advertising agents, for its distribution management and consultation businesses. Our sales force is organised according to customers by industry, and there are different dedicated teams serving key customers in the relevant industries. In addition, we have established key customer centers which are responsible for certain key customers and direct referrals by our senior management. The sales and marketing team is responsible for formulating strategies to solicit new customers, as well as maintaining relationships with existing customers in order to boost revenue from them. Our sales and marketing department also works closely with the design and content provision teams to conduct analysis on advertisers' specific needs and provide feedback.

On the other hand, our printing services are provided pursuant to our comprehensive cooperation contracts with *Southeast Express, Lifestyle Express and Central Guizhou Morning Post* and we charge them printing fees which are calculated based on the actual number of printed copies. Through the operation of printing services, we are able to achieve win-win situation with the publications under which not only have we better control over the print quality of their publications, but also strengthen the cooperation with these media.

Television and radio advertising

In terms of television and radio advertising, the major current projects of the Group relate to the real estate and automotive industries. Our television media business is principally built on the foundation of the existing printed media operation as an extended service to customers in the printed media business to enhance our comprehensive service capability. During the year ended 31 December 2010, turnover of the Group's television and radio advertising business amounted to RMB14.4 million, accounting for 2.7% of the Group's total income.

In 2010, the Group signed two advertising cooperation contracts with Nanning Television Station in Guangxi and Dalian Television Station in Liaoning, respectively. The Group obtained advertising time slots on four channels from Nanning Television Station for advertisements in respect of the automotive and related industries and the right to design and produce mini-programs and relevant advertisements focusing on the automotive industry, during which advertisements can also be aired. From Dalian Television Station, we obtained the right to sell all advertisements in relation to the real estate industry. Turnover from these two operations accounted for 66.1% of the turnover of our television advertising business. Given the healthy growth of the automotive and real estate industries, we believe the demand for advertising from these industries will continue to grow.

The Group intends to further explore its television advertising business and become one of the key service providers for television operators and related media resources. Building on our integrated media and event planning capability, we will increase our investment and scale of operation by implementing a comprehensive agency model which spans from designing unique advertisements on newspapers and printed media to television according to the overall marketing needs of customers. We are also currently negotiating with various potential television operators for partnership arrangement similar to our comprehensive/partial cooperation with newspapers.

During the year ended 31 December 2010, in tandem with the stable growth in newspaper advertising expenses, advertising expenses on radio across the PRC rose substantially in 2010. According to a market research conducted by CTR Market Research Co. Ltd. (央視市場研究), advertising expenses on radio surged by 33%, particularly as a result of a significant increase in the number of mobile users, and there is huge room for future growth. With our industry insight, and diversification strategy to develop to broadcast media resources in addition to existing newspapers and online digital media, the Group has secured a 5-year cooperation project with YangGuang DuShi (Beijing) Culture and Media Co. Ltd (央廣都市(北京)文化傳媒有限公司) ("YangGuang DuShi"), a subsidiary of China National Radio and a national media, at the end of last year, pursuant to which YangGuang DuShi authorises the Group to operate cooperative projects in relation to the development of radio stations on provincial, municipal and county levels. The parties are now conducting in-depth discussions to finalise details such as program purchasing, operation of advertisement timeslot and contracting of the operation of the entire frequency. Beijing Shifang Yizhi Company Limited (北京十方意智文化傳播有限公司), the project company of the Group, has commenced operation in March 2011.

We believe the radio advertising business will become an important growth driver of the Group. It will offer a wider group of audiences, in particular mobile users and other demographic. This will diversify the Group's business, help advertisers reach out to more people and reinforce the competitive strength of the Group's integrated media platform.

Listing of the Group

The Group was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 3 December 2010 and was supported by well-known investment institutions and investors, thereby successfully raised net proceeds of RMB402.6 million. Capitalising on this access to international capital markets, the Group has obtained valuable operating resources and achieved better financial position to capture the opportunities of cross-media, multiple-content and multi-city business development as well as the consolidation of the PRC advertising market.

FINANCIAL REVIEW

Revenue

Total revenue increased by 14.4% from RMB463.0 million for the year ended 31 December 2009 to RMB529.9 million for the year ended 31 December 2010, primarily because the revenue from newspaper advertising of *Southeast Express, Shenyang Evening News, Lifestyle Express, Modern Life Daily, Central Guizhou Morning Post* etc. increased by 9.9% from RMB371.8 million for the year ended 31 December 2009 to RMB408.7 million for the year ended 31 December 2010. Our revenue from online services increased by 38.6% from RMB47.1 million for the year ended 31 December 2009 to RMB65.3 million for the year ended 31 December 2010. The substantial increase in our advertising revenue was attributable to an overall increase in the number of advertisements placed by advertisers and the unit price of each advertisement. Revenue from our comprehensive cooperation contracts accounted for approximately 83% of our total newspaper advertising revenue for the year ended 31 December 2010. As at 31 December 2010, the new television and radio advertising business recorded an income of RMB14.4 million in 2010.

Cost of sales

Our cost of sales increased by 12.8% from RMB243.1 million for the year ended 31 December 2009 to RMB274.1 million for the year ended 31 December 2010, primarily as a result of an increase in costs resulting from the increase in income from the newspaper advertising business and the new television and radio advertising projects.

Gross profit and gross profit margin

Gross profit increased by 16.3% from RMB219.9 million for the year ended 31 December 2009 to RMB255.8 million for the year ended 31 December 2010, which was derived from the newspaper advertising, the internet services and the new television and radio advertising businesses commenced in 2010. Our gross profit margin increased from 47.5% for 2009 to 48.3% for 2010. The increase was mainly due to a rise in the gross profit margin of the newspaper advertising business.

Other income

Other income increased by 57.4% from RMB6.1 million for the year ended 31 December 2009 to RMB9.6 million for the year ended 31 December 2010, primarily as a result of the financial subsidies granted by government bodies and an increase in the income from other operating activities.

General and administrative expenses

Our general and administrative expenses increased by 49.4% from RMB34.8 million for the year ended 31 December 2009 to RMB52.0 million for the year ended 31 December 2010, mainly because of the implementation of the share option schemes and the provision for bad debt. Our general and administrative expenses as a percentage of our gross revenue increased from 7.5% for 2009 to 9.8% for 2010. We have strictly controlled administrative expenses according to our budget, which has effectively restrained the increases in general and administrative expenses as our business expanded in 2009.

Selling and marketing expenses

Our selling and marketing expenses increased by 18.6% from RMB22.6 million for the year ended 31 December 2009 to RMB26.8 million for the year ended 31 December 2010, mainly because of an increase in compensation paid to our sales team. This increase was in line with the increase in our revenue as we pay commissions to our sales personnel based on sales volume. In addition, we have hired additional sales personnel. Our selling and marketing expenses as a percentage of our gross revenue increased slightly from 4.9% for 2009 to 5.1% for 2010.

Profit before income tax

As a result of the foregoing factors, our profit before income tax for the year ended 31 December 2010 was RMB185.4 million, representing an increase of 12.1% as compared to RMB165.4 million for the year ended 31 December 2009.

Income tax expenses

Income tax expenses slightly decreased by 0.8% from RMB24.6 million for the year ended 31 December 2009 to RMB24.4 million for the year ended 31 December 2010 as a result of the preferential tax treatments enjoyed by certain subsidiaries. Also, our effective tax rates decreased from 14.9% for the year ended 31 December 2009 to 13.1% for the year ended 31 December 2010.

Profit for the year

As a result of the foregoing factors, our profit for the year increased by 14.4% from RMB140.8 million for the year ended 31 December 2009 to RMB161.1 million for the year ended 31 December 2010.

Profit/loss attributable to non-controlling interests

Our loss attributable to non-controlling interests decreased from RMB39,000 for the year ended 31 December 2009 to RMB15,000 for the year ended 31 December 2010.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company increased by 14.4%, from RMB140.8 million for the year ended 31 December 2009 to RMB161.1 million for the year ended 31 December 2010.

Liquidity and capital resources

	Year ended 31 December	
	2010	2009
	RMB'000	*RMB'000*
Net cash generated from operating activities	**66,762**	48,264
Net cash used in investing activities	**(154,834)**	(1,985)
Net cash generated from/(used in) financing activities	**593,430**	(16,370)
Net increase in cash and cash equivalents	**505,358**	29,909
Cash and cash equivalents at the beginning of the year	**40,643**	10,734
Cash and cash equivalents at the end of the year	**546,001**	40,643

Cash flow from operating activities

For the year ended 31 December 2010, net cash generated from operating activities amounted to RMB66.8 million, primarily attributable to profit before tax of RMB185.4 million, which was offset by an increase in trade receivables of RMB112.7 million as well as an increase in advances and deposits paid to newspaper partners resulting from the increase in advertising income for the year.

Cash flow used in investing activities

For the year ended 31 December 2010, net cash used in investing activities amounted to RMB154.8 million, resulting primarily from the prepayment for long term investment of RMB98.0 million, deposit paid to a new comprehensive cooperative media partner of RMB32.0 million, payments for the additions of plant and equipment such as printing equipment and office fixtures of RMB24.0 million and payments for the additions of intangible assets of RMB1.0 million.

Cash flow from financing activities

For the year ended 31 December 2010, net cash used in financing activities amounted to RMB593.4 million, primarily attributable to the capital contribution by equity holders in January 2010 and the net proceeds from the Global Offering of the Company's shares.

Capital expenditures

Our business generally does not require significant ongoing capital expenditures. We incur capital expenditures mainly for the purchase of printing machinery and office equipment. Our capital expenditures were RMB2.0 million and RMB 24.0 million for the years ended 31 December 31 2009 and 31 December 2010, respectively.

Trade receivables – net

The following table sets out the aging analysis of our trade receivables at the dates indicated:

	As at 31 December	
	2010	2009
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**33,373**	32,102
31 – 60 days	**26,661**	19,180
61 – 90 days	**20,510**	9,451
91 – 365 days	**142,671**	80,306
Over 1 year	**38,584**	14,995
Total	**261,799**	156,034
Less: provision for impairment of trade receivables	**(7,170)**	(1,732)
Total trade receivables – net	**254,629**	154,302

Our trade receivables increased by 65.0%, from RMB154.3 million as at 31 December 2009 to RMB254.6 million as at 31 December 2010 mainly because of the increase in the incomes from newspaper advertising, internet services and television and radio advertising businesses. Trade receivables turnover days increased from 106 days for the year ended 31 December 2009 to 141 days for the year ended 31 December 2010 primarily due to the increase in sales to our major customers and internet services customers who enjoy longer credit periods.

Assets held for sale

The properties for which we are given the contractual right to sell under these arrangements are held under the line item "assets held for sale". The following table sets out the aging analysis of our assets held for sale at the dates indicated:

	As at 31 December	
	2010	2009
	RMB'000	*RMB'000*
Properties held for sale	**29,848**	22,885

We recognise revenue from advertising services upon obtaining the contractual rights to sell the relevant properties. We recognised such revenue from the relevant real estate customers in the amount of RMB22.9 million and RMB29.8 million for the years ended 31 December 2009 and 31 December 2010, respectively, which accounted for 4.9% and 5.6% of our total revenue, respectively. For the same periods, the amount of proceeds we received from the sales of such properties was RMB6.6 million and RMB10.9 million, respectively. The increase was mainly due to an increase in sales income from advertising for the real estate industry.

Trade payables

	As at 31 December	
	2010	2009
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**1,463**	1,751
31 – 90 days	**808**	441
Over 90 days	**1,893**	1,530
Total	**4,164**	3,722

Our trade payables increased by 13.5%, from RMB3.7 million as at 31 December 2009 to RMB4.2 million as at 31 December 2010, primarily attributable to an increase of payable to the suppliers of newspaper and television advertising. Our trade payables turnover days decreased from 23 days for the year ended 31 December 2009 to 5 days for the year ended 31 December 2010, which was mainly due to the reduction in purchases of newsprint since 2008 and the fact that the payment terms of the purchasing payments for newsprint have been historically longer.

Indebtedness

Our indebtedness consists of obligations to our lenders, including commercial banks and certain related parties and companies. The following table shows our total borrowings at the dates indicated:

	As at 31 December	
	2010	2009
Borrowings	***RMB'000***	*RMB'000*
Short-term bank loans, secured	**50,000**	44,520
Other loan	**4,607**	2,740
Loans from related parties	**157**	36,847
Total	**54,764**	84,107

Our total borrowings amounted to RMB84.1 million and RMB54.8 million as at 31 December 2009 and 31 December 2010, respectively. As at 31 December 2010, we had unutilised bank facilities of RMB5.0 million.

Our loans include borrowings secured by our equipment and investment properties with carrying value amounted to RMB44.5 million and RMB50.0 million for the years ended 31 December 2009 and 31 December 2010, respectively.

Our gearing ratio decreased from 16.8% as at 31 December 2009 to 4.3% as at 31 December 2010 primarily due to increases in our cash and cash equivalents, trade receivables, and prepayments, deposits and other receivables, and a decrease in our loans from related parties.

Capital commitments

The future aggregate minimum advertising payments under non-cancellable exclusive advertising agreements are as follows:

	2010	2009
	RMB'000	*RMB'000*
Not later than 1 year	**248,279**	254,939
Later than 1 year and not later than 5 years	**606,819**	499,098
Later than 5 years	**2,162,000**	2,160,000
	3,017,098	2,914,037

Contingent liabilities

As at 31 December 2010, we had no contingent liabilities.

Human resources

As at 31 December 2010, we had approximately 977 full-time employees. Total staff costs including directors' remuneration for the year ended 31 December 2010 was approximately RMB49.8 million (2009: approximately RMB38.7 million). We offer competitive remuneration packages to our employees that include salaries, bonuses and share options to qualified employees.

The compensation of the directors are evaluated by the remuneration committee and the committee makes recommendations to the Board. In addition, the remuneration committee conducts reviews of the performance, and determines the compensation structure, of our senior management.

The Company operates an employee share option scheme and the purpose of which is to provide incentive or reward to eligible persons who provide services to the Company for their contribution and continuing efforts to promote the interests of the Company, and for such other purposes as the Board may approve from time to time.

Prospect of the Industry and the Group

According to the China's Advertising Market 2010 Review by Nielsen, the aggregate advertising expenses on traditional media (including television, newspapers, magazines and radio) in the PRC in 2010 amounted to RMB668 billion, representing a growth of 10% from 2009. The Group anticipates that the PRC advertising market will continue to grow rapidly in 2011. Particularly, as the purchasing powers of the people in second-tier and third-tier cities are rising, the overall spending on advertising is set to grow further.

As the media sector in the PRC continues to grow, the emergence of target audience groups of both traditional and new media has driven the rapid development of integrated media. The Group firmly adheres to its integrated media marketing strategy and is positioned to benefit from this rapidly growing market with its competitive edge in terms of exclusive cooperation with the media, clear cost advantage and strong bargaining power. These strategies include: 1) establish multiple-content media operation: in addition to reinforcing its position as an advertising service provider for printed media, the Group will also extend our cooperation with media partners to offer integrated content design and more value-added services to advertisers; 2) secure multi-city exclusive operation: in view of the current need of multi-city business development among advertisers, we will continue to increase the number of exclusive printed media partners in order to acquire a larger number of audience for our customers; 3) operate across media: we will extend the coverage for our advertisers to different audience groups that a single media is unable to reach by using all kinds of advertisement available in the market. According to CTR Market Research Co. Ltd.(央視市場研究), 73.5% of the consumers in the major cities in the PRC came into contact with more than three types of media everyday in 2010. The Group identified this trend a long time ago and has established the "Shifang" (Ten Directions) integrated media marketing model to capture this enormous market. We will also continue to strengthen our cooperation with cross-media partners, especially the conventional but rapidly developing medium of radio and the more modern but complicated new media, with a view to offering varied and comprehensive advertising services.

In addition, as the PRC is tightening its grip on the content of advertisements, particularly those of fast moving consumer goods, medicines and real estate, the Group will continue to offer a large variety of solutions to customers who need to comply with the regulations in the PRC. At the same time, we will also come up with new ideas and provide a wider range of content to the target audience using our advertisement content design ability. The Group is fully committed to social responsibilities and takes into account social, ethical and cultural values when it designs, selects and publishes advertisements in an effort to establish a positive image for our customers and offer appropriate content to their target audience. We believe the Group is on the right track and will be able to operate in line with national policies and meet the needs of people at the same time, thus ensuring the healthy and sustainable development of the Group.

We believe that given the continuous and stable development of the PRC economy and with our cost advantage as a result of our cooperation with newspapers, unique multiple-content, multi-city and cross-media operation model and the joint effort of the Board, the management and our staff, the Group will be able to offer comprehensive "Shifang" integrated media solutions to our customers, maintain our steady growth momentum, become a leading integrated media advertising operator in the PRC and provide sustainable investment returns to investors.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26 May 2011 to 30 May 2011, both days inclusive, during which period no transfer of shares will be registered. In order to determine who are entitled 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 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 25 May 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the code provisions on Corporate Governance Practices (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**"). Saved as disclosed below, the Board considers the Company has complied with the code provisions as set out in the CG Code.

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.

Mr. Chen Zhi, who acts as the chairman and chief executive officer of the Company, is responsible in pioneering the Company's distinctive business model and undertaking the main decision-making role in the management of the Company's overall operations and overseeing the strategic development of the Group. The Board will meet regularly to consider and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that the sufficient measures have been taken and it will 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 the Company of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made with all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the period from the Listing Date to 31 December 2010.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has also held meeting with the Group's external auditors, PricewaterhouseCoopers without the presence of executive directors and management of the Group, to discuss matters arising from the auditing and report to the Board or 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. Zhuo Ze Yuan. 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 2010.

USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company was successfully listed on the Main Board of the Stock Exchange on 3 December 2010 and raised net proceeds of RMB402.6 million through the Global Offering of its shares. As at 31 December 2010, none of the net proceeds have been used and the net proceeds will be applied in the manner as described in the Prospectus.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the year ended 31 December 2010. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the period from the Listing Date to 31 December 2010.

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 2010 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and make available on the abovementioned websites in due course.

By order of the Board
ShiFang Holding Limited
Chen Zhi
Chairman

Hong Kong, 29 March 2011

As at the date of this announcement, the executive directors of the Company are Mr. Chen Zhi, Mr. Hong Pei Feng and Mr. Zhang Tie Zhu; the non-executive director of the Company is Mr. Wang Ping; and the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Zhuo Ze Yuan.