SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011

HIGHLIGHTS

- Revenue increased by 12.5% from RMB240.7 million for the six months ended 30 June 2010 to RMB270.7 million for the six months ended 30 June 2011.

- Gross profit increased by 11.8% from RMB121.8 million for the six months ended 30 June 2010 to RMB136.2 million for the six months ended 30 June 2011.

- Profit for the period decreased by 41.6% from RMB71.6 million for the six months ended 30 June 2010 to RMB41.8 million for the six months ended 30 June 2011, primarily attributable to a specific provision of RMB35.9 million for impairment on trade receivables.

- Basic earnings per share decreased by 56.2% from RMB0.1304 per share for the six months ended 30 June 2010 to RMB0.0571 per share for the six months ended 30 June 2011.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011.

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 unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2011 together with the comparative figures for the corresponding period of 2010.

The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's audit committee (the "Audit Committee") and, in accordance with the International Standards on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board, by the Company's external auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong ("PricewaterhouseCoopers").

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2011

	Note	**As at 30 June 2011** *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**61,811**	51,315
Investment properties		**1,817**	1,817
Intangible assets		**3,813**	4,198
Prepayments, deposits and other receivables	*5*	**355,000**	190,000
		422,441	247,330
Current assets			
Inventories		**7,889**	5,287
Assets held for sale		**30,814**	29,848
Trade receivables – net	*4*	**274,638**	254,629
Prepayments, deposits and other receivables	*5*	**284,904**	187,773
Amount due from a director		**440**	–
Amount due from immediate holding company		**757**	–
Amounts due from related parties		**3,915**	14,135
Cash and cash equivalents		**289,810**	546,001
		893,167	1,037,673
Total assets		**1,315,608**	1,285,003
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**63,860**	63,860
Share premium		**540,311**	540,311
Other reserves		**96,224**	91,268
Retained earnings		**415,586**	375,675
		1,115,981	1,071,114
Non-controlling interests		**26,603**	472
Total equity		**1,142,584**	1,071,586

	Note	As at 30 June 2011 RMB'000 (Unaudited)	As at 31 December 2010 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Borrowings		**1,984**	2,789
Amount due to a non-controlling shareholder of a subsidiary	*7*	**50,000**	–
		51,984	2,789
Current liabilities			
Trade payables	*6*	**5,232**	4,164
Other payables and accrued expenses		**82,585**	114,825
Amounts due to directors		**991**	1,973
Amount due to immediate holding company		**–**	1,731
Amounts due to related parties		**518**	1,439
Borrowings		**1,586**	51,818
Current income tax liabilities		**30,128**	34,678
		121,040	210,628
Total liabilities		**173,024**	213,417
Total equity and liabilities		**1,315,608**	1,285,003
Net current assets		**772,127**	827,045
Total assets less current liabilities		**1,194,568**	1,074,375

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Six months ended 30 June	
	Note	**2011**	2010
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*3*	**270,684**	240,728
Cost of sales	*9*	**(134,523)**	(118,882)
Gross profit		**136,161**	121,846
Selling and marketing expenses	*9*	**(16,185)**	(11,956)
General and administrative expenses	*9*	**(72,900)**	(26,284)
Other income – net	*8*	**5,083**	5,226
Operating profit		**52,159**	88,832
Finance income	*10*	**1,272**	85
Finance costs	*10*	**(555)**	(1,124)
Finance income/(costs) – net	*10*	**717**	(1,039)
Profit before income tax		**52,876**	87,793
Income tax expense	*11*	**(11,121)**	(16,208)
Profit for the period		**41,755**	71,585
Other comprehensive income		**–**	–
Total comprehensive income for the period		**41,755**	71,585
Profit/(loss) attributable to:			
– Equity holders of the Company		**41,773**	71,592
– Non-controlling interests		**(18)**	(7)
		41,755	71,585

	Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**41,773**	71,592
– Non-controlling interests		**(18)**	(7)
		41,755	71,585
Earnings per share for profit attributable to equity holders of the Company			
– Basic *(RMB per share)*	*12*	**0.0571**	0.1304
– Diluted *(RMB per share)*	*12*	**0.0567**	0.1304
Dividends	*13*	**–**	–

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net cash (used in) operating activities	**(17,673)**	(6,195)
Net cash (used in) investing activities	**(155,413)**	(10,839)
Net cash (used in)/generated from financing activities	**(83,105)**	166,491
Net (decrease)/increase in cash and cash equivalents	**(256,191)**	149,457
Cash and cash equivalents, at 1 January	**546,001**	40,643
Cash and cash equivalents, at 30 June	**289,810**	190,100

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 Basis of preparation, accounting policies and estimate

1.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2011 has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

This condensed consolidated interim financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by IASB.

1.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those set out in the consolidated financial statements of the Company for the year ended 31 December 2010 as included in the Company's annual report for the year ended 31 December 2010.

Taxes on income for the six months ended 30 June 2011 are accrued using the tax rate that would be applicable to expected total annual earnings.

The following amendment to standard is mandatory for the first time for the financial year beginning 1 January 2011.

Amendment to IAS 34 'Interim financial reporting' is effective for annual periods beginning on or after 1 January 2011. It emphasises the existing disclosure principles in IAS 34 and adds further guidance to illustrate how to apply these principles. Greater emphasis has been placed on the disclosure principles for significant events and transactions. Additional requirements cover disclosure of changes to fair value measurement (if significant), and the need to update relevant information from the most recent annual report. The change in accounting policy only results in additional disclosures.

The following standards, amendments and interpretations are mandatory for the first time for the financial period beginning 1 January 2011, but do not have any financial impact on the Group:

IAS 24 (Revised), "Related Party Disclosures" is effective for annual periods beginning on or after January 2011. It introduces an exemption from all of the disclosure requirements of IAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. This is not currently applicable to the Group, as it does not have any related party which is a government related entity.

Amendment to IAS 32 'Classification of rights issues' is effective for annual periods beginning on or after 1 February 2010. This is not currently applicable to the Group, as it has not made any rights issue.

Amendment to IFRIC-Int-14 'Prepayments of a minimum funding requirement' is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant to the Group, as it does not have a minimum funding requirement.

IFRIC-Int 19 'Extinguishing financial liabilities with equity instruments' is effective for annual periods beginning on or after 1 July 2010. This is not currently applicable to the Group, as it has no extinguishment of financial liabilities replaced with equity instruments.

Improvements to International Financial Reporting Standards (2010) were issued in May 2010 by IASB, except for amendment to IAS 34 'Interim financial reporting' as disclosed above and the clarification to allow the presentation of an analysis of the components of other comprehensive income by item within the notes, all are not currently relevant to the Group. All improvements are effective in the financial year of 2011.

1.3 Estimate

The preparation of this condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2010. During the six months ended 30 June 2011, the Group has made an impairment provision for a certain amount of doubtful receivables where the determination of the amount of provision requires significant judgment and estimates (see Note 4).

2 Segment information

Management has determined the operating segments based on the reports reviewed by the executive directors 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 the publishing and advertising business activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". No segment information is presented.

3 Revenue

Analysis of the revenue by category is as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Newspaper advertising	**206,230**	181,312
Online services	**35,897**	32,154
Marketing, distribution management, consulting and printing services	**28,180**	19,822
Television and radio advertising	**377**	7,440
	270,684	240,728

4 Trade receivables – net

	As at	As at
	30 June	31 December
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**317,696**	261,799
Less: provision for impairment on trade receivables	**(43,058)**	(7,170)
Trade receivables, net	**274,638**	254,629

The payment terms with customers 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 sales occurred. Aging analysis of the Group's trade receivables based on invoice date is as follows:

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
1 – 30 days	**49,844**	33,373
31 – 60 days	**25,429**	26,661
61 – 90 days	**19,138**	20,510
91 – 365 days	**162,264**	142,671
Over 1 year	**61,021**	38,584
	317,696	261,799
Less: provision for impairment on trade receivables	**(43,058)**	(7,170)
Trade receivables, net	**274,638**	254,629

As at 30 June 2011, trade receivables of RMB53,022,000 (31 December 2010: RMB50,974,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and the repayment period is in line with the Group's practice.

As at 30 June 2011, trade receivables of RMB43,058,000 (31 December 2010: RMB7,170,000) were impaired and provided for. For the six months ended 30 June 2011, the amounts of the provision charged to the condensed consolidated statement of comprehensive income were RMB35,888,000 (six months ended 30 June 2010: RMB5,622,000).

The RMB35,888,000 impairment provision made during the six months ended 30 June 2011 included RMB9,425,000 impairment provision made for receivables where management has determined that the ability of the debtors to repay the trade receivables have deteriorated. This provision amount was determined in line with the Group's policies and historical practice, where management has reviewed the relevant debtors' current creditworthiness and past payment history. Furthermore, management has performed a specific review on certain debtors for which the Group's relationship with these customers is expected to be ceased upon the termination of Group's cooperation arrangement with Shenyang Evening News. Management has considered the past payment history and the strength of the Group's relationship with each debtor in this specific review. As a result of this review, management has determined that an impairment provision of RMB26,463,000 is necessary as of 30 June 2011 to provide for those debtors whose recoverability has become less than probable.

5 Prepayments, deposits and other receivables

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Non-current portion		
Prepayment for long term investments	**178,000**	98,000
Deposits to newspaper publishers	**92,000**	92,000
Deposits for marketing and promotion projects	**85,000**	–
Prepayments, deposits and other receivables – non-current	**355,000**	190,000
Current portion		
Deposit for a marketing and promotion project	**50,000**	–
Prepayments	**118,038**	91,840
Deposits and other receivables	**72,132**	53,153
Deposit and prepayment to Shenyang Evening News	**44,734**	42,780
Prepayments, deposits and other receivables – current	**284,904**	187,773

6 Trade payables

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Trade payables	**5,232**	4,164

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 is as follows:

	As at 30 June 2011 *RMB'000* (Unaudited)	As at 31 December 2010 *RMB'000* (Audited)
1 – 30 days	**1,765**	1,463
31 – 90 days	**1,392**	808
Over 90 days	**2,075**	1,893
	5,232	4,164

7 Amount due to a non-controlling shareholder of a subsidiary

The amount represents balance in which a non-wholly-owned subsidiary due to its non-controlling shareholder. The amount is unsecured, non-interest bearing and repayable on demand.

8 Other income – net

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sale of newsprint papers	**29**	798
Sale of scrap material	**1,665**	1,299
Government grant	**2,664**	2,446
Sundry income	**725**	683
	5,083	5,226

9 Expense by nature

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Auditor's remuneration	**1,025**	72
Cost of newspaper advertising		
– Media costs	**109,668**	97,510
Cost of online services	**886**	818
Cost of television and radio advertising		
– Media costs	**580**	4,770
Cost of marketing, distribution management, consulting and printing services:		
– Raw material	**5,861**	1,525
– Media costs	**2,324**	1,175
– Other costs	**978**	666
Depreciation	**3,971**	2,683
Amortisation	**396**	289
Operating lease charges in respect of land and building	**1,742**	1,821
Net (gain)/loss on disposals of property, plant and equipment	**(39)**	59
Provision for impairment on trade receivables	**35,888**	5,622
Net foreign exchange loss	**6,652**	477
Employee benefit expenses (including directors' emoluments)	**37,434**	23,496
Business tax	**10,305**	9,626

10 Finance income and costs

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Finance income:		
– Interest income on short-term bank deposits	**1,272**	85
Interest expenses on:		
– Borrowings	**(555)**	(1,124)
Finance income/(costs)– net	**717**	(1,039)

11 Income tax expense

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax		
– Mainland China Corporate Income Tax ("CIT")	**11,121**	16,208
Total income tax expense	**11,121**	16,208

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 six months ended 30 June 2011 and 30 June 2010. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

12 Earnings per share

(a) Basic

Basic earnings per share for the six months ended 30 June 2011 is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

The number of ordinary shares used for the calculation of earnings per share for the six months ended 30 June 2010 is the aggregate number of shares which are outstanding as at 30 June 2010 which included 549,123,120 ordinary shares issued as part of the Company's reorganisation in preparation for its listing on the Main Board of The Stock Exchange of Hong Kong Limited.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Profit attributable to equity holders of the Company *(RMB'000)*	**41,773**	71,592
Weighted average number of shares in issue *(thousands)*	**732,165**	549,123
Basic earnings per share *(RMB per share)*	**0.0571**	0.1304

(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 six months ended 30 June 2011, the Company's share options issued under the pre-IPO share option scheme was the sole category of dilutive potential ordinary shares. For the six months ended 30 June 2010, as the exercise price in respect of each share allotted and issued pursuant to the exercise of an option granted shall not be less than 100% of the fair market value of the shares on the date of grant of the option, the effect of the assumed conversion of the share option was not dilutive.

	Six months ended 30 June	
	2011	2010
	(Unaudited)	(Audited)
Profit attributable to the equity holders of the Company *(RMB'000)*	**41,773**	71,592
Weighted average number of ordinary shares issued *(thousands)*	**732,165**	549,123
Adjustment for share option *(thousands)*	**5,058**	–
Weighted average number of ordinary shares issued for diluted earnings per share *(thousands)*	**737,223**	549,123
Diluted earnings per share *(RMB per share)*	**0.0567**	0.1304

13 Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group is principally engaged in four major businesses, namely (i) newspaper advertising; (ii) online services; (iii) marketing, distribution management, consulting and printing services; and (iv) television and radio advertising. As of 30 June 2011, the Group's businesses have extended to over 16 cities across eight provinces in the PRC. The Group is dedicated to offer one-stop solutions to advertisers and create value for its customers. In addition to the continuous effort in further expanding cooperation with all kinds of media, the Group also further consolidates its existing media resources for the customers so as to provide more comprehensive "Shifang" advertising services to advertisers.

As of 30 June 2011, the Group's revenue from major businesses for the first half of 2011 amounted to RMB270.7 million, an increase of 12.5% as compared with the corresponding period in 2010. For the first half of 2011, the Group achieved a gross profit of RMB136.2 million and a gross profit margin of 50.3%, which was slightly lower than 50.6% for the first half of 2010. This was mainly due to a slight increase in the gross profit margin of newspaper advertising and online services, net off by the decreases in the gross profit margin of marketing, distribution management, consulting and printing services and television and radio advertising. Net profit after tax of the Group was RMB41.8 million, representing a significant decrease of 41.7% as compared with the first half of 2010. The decrease was mainly attributable to the specific provision for impairment on trade receivables of RMB26.5 million relating to the Group's business in Shenyang and a net foreign exchange loss of RMB6.7 million.

Although consumer sentiment is impacted by austerity measures in the real estate sector and the resulting tight liquidity, China still maintains its growth momentum and the Group continued to grow steadily and develop new businesses during the period. For instance, the Group entered into cooperation with the Management Committee of Wuhua Technology Park* (五華科技產業園) in Kunming, secured new media partnership with *Xiamen Daily* and *Xiamen Evening News* and offered marketing services to the real estate sector.

Solid customer base of advertisers

The Group's solid customer base covers various sectors in China, 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 advertisement. The Group's customer mix remained similar to that in the previous years.

While maintaining a good relationship with its existing advertising customers, the Group also puts effort to seek new customers. By expanding its scope of services and strengthening its design and content planning team, the Group provides customers with high quality and unique advertising packages in order to fulfill their marketing needs and achieve their marketing objectives. On 29 June 2011, Fujian ShiFang, an indirectly wholly-owned subsidiary of the Group, entered into a cooperation agreement with the Management Committee of Wuhua Technology Park（五華科技產業園管理委員會）in Kunming. Under the agreement, Fujian ShiFang will conduct marketing, investment promotion and advertisement creative planning, production and publishing programs for the property development at lot 13 of Wuhua Technology Park.

Newspaper advertising

The Group's newspaper advertising revenue from its comprehensive cooperation media partners for the first half of 2011 amounted to RMB168.2 million, accounting for 81.6% of the total revenue of the newspaper advertising business. The Group's revenue from partial cooperation contracts amounted to RMB18.9 million for the first half of the year, which was 9.2% of the total revenue of newspaper advertising.

During the period under review, the Group's newspaper advertising business exhibited a stable growth in turnover. As of 30 June 2011, the Group partnered with 13 publications in over 16 second-tier and third-tier cities across eight provinces in the PRC. In addition to its existing partners of *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*, the Group newly partnered with two newspapers, *Xiamen Daily* and *Xiamen Evening News* during the first half of this year.

These newspapers have granted the Group comprehensive or partial cooperation rights to sell their advertising space. In connection with the sale of advertising space, the Group offers one-stop solutions and integrated marketing services to its advertisers.

On 26 July 2011, Shenyang Media Corporation unilaterally terminated the cooperation contract with the Group and this made considerable impact on the Group's business. The Group is in the process of communicating and negotiating with Shenyang Media Corporation, and if no mutual consensus could be reached, the Group will authorise its PRC legal counsel to take necessary steps to protect the Company's interests, which include considering a claim against Shenyang Media Corporation for compensation, recovery of the deposit, prepayments, and all the interests, fees and damages payable by Shenyang Media Corporation to the Group under the cooperation contract. In the meantime, the Group will, as soon as possible, pursue the development and collaboration of other businesses to minimise such impact on the business of the Group.

In addition, in order to seize the business opportunities brought by the reform in the Chinese media advertising sector, the Group has negotiated and discussed with several newspapers and publications to explore potential investment and cooperation opportunities.

Online services

For the six months ended 30 June 2011, revenue of the Group's online services and digital media businesses amounted to RMB35.9 million, accounting for 13.3% of the Group's total revenue and representing an increase of 11.6% as compared with the corresponding period last year. Gross profit for this business was RMB35.0 million, up 11.7% as compared with the corresponding period last year.

During the period under review, the Group continued to enhance its digital publication platform and Duk (www.duk.cn) database system, and offer comprehensive information related to healthcare, dining, entertainment and leisure activities. Being one of the largest digital media publishing platforms in the PRC, Duk publishes electronic magazines, digital newspapers and online novels etc. on its online platform. Currently, it has online publishing right agreements with over 40 publishers, 610 magazine publishing houses and 5,000 magazines as well as digital publishing cooperation with 16 daily, evening and commercial newspapers. Its library of online novels amounted to over 120,000 volumes in total and the accumulated catalogue of electronic periodicals, electronic magazines and digital newspapers has reached over 230 million volumes or pieces.

Yunnan HanDing Technology Co., Ltd. (雲南漢鼎科技有限公司), a company engaging in new online media business, was established by the Company on 27 May 2011. It operates various popular local online platforms such as Life News (www.shxb.net) and Wan Wei Life (iwanwei.com) in Kunming in conjunction with the Group's newspaper partner, *Lifestyle Express*, and intends to launch an online search platform to provide lifestyle and consumer information this year. Such online portal is expected to be the first local website equipped with Location Based Service ("LBS"), Web2.0 and the Internet of Things. It is expected that the wide popularity of the portal among consumers will attract advertisers from different industries to place online advertisements.

The Group also continues to focus on the development of end-market wireless mobile reading platforms and launch reader software compatible with operating systems such as iPhone, iPad and Android.

The Group operates Mobile Duk (3g.duk.cn), which provides mobile reading services for over 100 newspapers and 6,000 novels, software downloads, online games and web interaction for mobile users. By enriching web contents and improving the website setting, Mobile Duk's usage has been on an increasing trend since its launch in 2010, with approximately 200,000 page views per day.

Furthermore, Mobile Duk, the Group's mobile reader software, has been well-received since its introduction in 2010. The Group has developed two different versions, Duk V3 and Duk V5, to provide users with different information. Duk V3 has approximately 16,000 individual users per day, while Duk V5 approximately 30,000 individual users per day since their launches.

To facilitate further growth of Mobile Duk, the Group developed a reader application for the Android, a popular operating system, in May 2011. The application is available for use on major brands of smart phones including Nokia, Sony Ericsson, Motorola, Samsung, Lenovo, HTC, TCL and LG.

The Group is seeking to develop an all-round reader application to integrate Duk V3, Duk V5 and the news and magazines reader application which is compatible with the Android and Apple platforms. It also intends to develop specialised news reader applications for different newspapers available on Duk. It is intended that these reading platforms will encourage cooperation from more content providers such as newspapers and publishers, which will in turn lead to an increase in revenue from the Group's electronic dissemination services.

Marketing, distribution management, consulting and printing services

Revenue of the Group's marketing, distribution management, consulting and printing services (integrated services) amounted to RMB28.2 million for the six months ended 30 June 2011, accounting for 10.4% of the Group's total revenue and representing an increase of 42.2% as compared to the corresponding period last year, mainly due to the expanding printing services business. In the second half of 2010, the Group added a printing production line for *Central Guizhou Morning Post*, while the Group's printing company in Fuzhou also added a printing production line in February 2011. In addition, Fujian Fangke Network Technology Corporation Limited*（福建房客網絡科技股份有限公司）("Fujian Fangke"), which became a 51% owned subsidiary of the Group through a capital contribution and share subscription in April 2011, contributed a revenue of RMB2.6 million with its real estate marketing services.

The Group has entered into exclusive cooperation contracts with some of its newspaper partners to sell their advertising spaces and the Group's integrated services to customers. The Group also offers certain ancillary services, including printing, distribution management, consulting and marketing advices.

The Group manages the circulation of *Southeast Express* and *Lifestyle Express* by providing distribution consulting and management services, such as designing and adjusting distribution channels and optimising the allocation of its newspaper partners' delivery resources. The Group also assists those media partners in achieving effective circulation by providing distribution management and staff training.

For newspaper printing, the Group has three factories in Fuzhou, Kunming and Guizhou for printing *Southeast Express*, *Lifestyle Express* and *Central Guizhou Morning Post*, respectively. By managing the printing of these newspapers, the Group is able to have control over the print quality of their publications and ensure the quality of the advertisements published.

Moreover, Fujian Fangke, a company which provides planning and marketing services for real estate projects, collects planning fee and premium commission and operates FangKe Web (www.fangke.cc). Leveraging on its own resources and the established platform developed by FangKe Web, the Group is expanding into new business areas including comprehensive project marketing and property marketing planning. For comprehensive project marketing, the Group uses FangKe Web as a key trial project to further strengthen its cooperation with customers and enhance the standard and capability through deeper understanding of and expansion in the sector.

On the other hand, the Group has extended its presence to the medical and healthcare market by forming a subsidiary, ShiFang Healthcare Technology Corporation Limited*（十方健康科技有限公司）("ShiFang Healthcare"), on 30 May 2011, for engaging in medical and health information and promotion services. In the wake of the changes in operating environment brought by the new national regulations on the advertisements for medical services and pharmaceutical products which involve stringent requirements for related advertisement contents, the Group has carried out thorough resources integration with the staunch support of long-term advertisers, readers and partners. ShiFang Healthcare is committed to develop the most unique medical and healthcare information platform across the country and provide all-around medical and healthcare information by setting up integrated information services platforms comprising websites, call center platform as well as appointment and registration systems, for medical and healthcare information. The Group will make use of its experience and knowledge in media, advertising and information management to promote the market popularity and enhance the operation of ShiFang Healthcare.

Television and radio advertising

During the six months ended 30 June 2011, revenue of the Group's television and radio advertising business amounted to RMB0.4 million, accounting for 0.1% of the Group's total revenue and representing a decrease of 94.9% as compared with the corresponding period last year, mainly due to the expiration of the contract with Dalian Television Station.

In terms of television advertising, the Group renewed the advertising cooperation contract with Nanning Television Station in Guangxi to broadcast advertisements in respect of the automotive and related industries during the acquired advertising time slots on four channels of Nanning Television Station in the first half of 2011. The Group has also obtained the right to plan and produce mini-programs focusing on the automotive industry, during which advertisements can also be aired. The Group's television advertising business principally plays an assisting role for its servicing businesses. In the first half of 2011, the agency agreement with Dalian Television Station in respect of the real estate industry expired. In view of the low gross profit margin of such operation and the anticipated rising cost pressure, the Group gave up the renewal right to this agreement. Together with the limited contribution of the automobile advertising project, the contract of which was renewed in the first half of 2011 with Nanning Television Station in Guangxi, to the Group's revenue due to its small scale, the Group's revenue from television advertising for the first half of 2011 decreased substantially. The Group is considering establishing more cooperation arrangements with other television stations.

For radio advertising, Beijing HanDing, a wholly-owned subsidiary of the Group, entered into a cooperation agreement 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 wholly-owned subsidiary of China National Radio, at the end of 2010, pursuant to which YangGuang DuShi authorised the Group to operate a 5-year cooperative project in relation to the development of radio stations at provincial, municipal and county levels ("Regional Broadcasting Radio Stations") through broadcasting the radio programmes which YangGuang DuShi was broadcasting rights and are licensed to broadcast by China National Radio and through relevant radio advertisements via all Regional Broadcasting Radio Stations in order to expand the Group's broadcasting media resources other than newspaper and online digital media. 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 responsible for the sale of the program database of China National Radio, has commenced operation in March 2011.

Moreover, advertising in television programs and films has become a new way of advertising in the PRC. The Group is also carefully considering the adoption of this strategy. For example, advertisements of four PRC brands were shown in *Transformers: Dark of the Moon* by advertisers so as to raise brand recognition.

FINANCIAL REVIEW

Revenue

Revenue increased by 12.5% from RMB240.7 million for the six months ended 30 June 2010 to RMB270.7 million for the six months ended 30 June 2011, primarily due to the increase in revenue from newspaper advertising from RMB 181.3 million for the six months ended 30 June 2010 to RMB206.2 million for the six months ended 30 June 2011. The increase was attributable to an overall increase in the number of advertisements placed by advertisers and the unit price of each advertisement. Revenue from the comprehensive cooperation contracts accounted for approximately 81.6% of the Group's total newspaper advertising revenue for the six months ended 30 June 2011.

Gross profit and gross profit margin

Gross profit increased by 11.8% from RMB121.8 million for the six months ended 30 June 2010 to RMB136.2 million for the six months ended 30 June 2011, which was in line with the growth in revenue. Gross profit margin decreased from 50.6% for six months ended 30 June 2010 to 50.3% for six months ended 30 June 2011. The decrease was mainly due to a slight increase in the gross profit margin of newspaper advertising and online services, net off by the decreases in the gross profit margin of marketing, distribution management, consulting and printing services and television and radio advertising.

Other income

Other income decreased by 2.0% from RMB5.2 million for the six months ended 30 June 2010 to RMB5.1 million for the six months ended 30 June 2011, primarily as a result of the decrease in the income from the sale of newsprint papers.

Selling and marketing expenses

Selling and marketing expenses increased by 35.0% from RMB12.0 million for the six months ended 30 June 2010 to RMB16.2 million for the six months ended 30 June 2011, mainly because of an increase in commission paid to sales team as a result of the growth in revenue, and also due to additional personnel hired during the period. Selling and marketing expenses as a percentage of revenue increased slightly from 5.0% for six months ended 30 June 2010 to 6.0% for six months ended 30 June 2011.

General and administrative expenses

General and administrative expenses increased by 177.2% from RMB26.3 million for the six months ended 30 June 2010 to RMB72.9 million for the six months ended 30 June 2011, mainly because of a specific provision of RMB35.9 million for impairment on trade receivables of which RMB26.5 million is related to trade receivables in Shenyang where the recoverability has become less than probable as the relevant debtor's customer relationships with the Group is likely to cease after the termination of the Group's cooperation agreement with Shenyang Media Corporation. The increase was also attributable to the increases in foreign exchange loss, share option expense and staff costs.

Income tax expense

Income tax expense decreased by 31.5% from RMB16.2 million for the six months ended 30 June 2010 to RMB11.1 million for the six months ended 30 June 2011 as a result of the decrease of taxable income for the period. Effective tax rates increased from 18.5% for the six months ended 30 June 2010 to 21.0% for the six months ended 30 June 2011, which was mainly attributable to changes in the applicable corporate tax rate of certain operating subsidiaries in the PRC.

Profit for the period

Profit for the period decreased by 41.6% from RMB71.6 million for the six months ended 30 June 2010 to RMB41.8 million for the six months ended 30 June 2011, mainly attributable to the specific provision for impairment on trade receivables made during the period.

Liquidity and capital resources

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Net cash (used in) operating activities	**(17,673)**	(6,195)
Net cash (used in) investing activities	**(155,413)**	(10,839)
Net cash (used in)/generated from financing activities	**(83,105)**	166,491
Net (decrease)/increase in cash and cash equivalents	**(256,191)**	149,457
Cash and cash equivalents at 1 January	**546,001**	40,643
Cash and cash equivalents at 30 June	**289,810**	190,100

Cash flow from operating activities

For the six months ended 30 June 2011, net cash used in operating activities amounted to RMB17.7 million, primarily attributable to profit before tax of RMB52.9 million, which was offset by an increase in trade receivables of RMB55.9 million as well as an increase in advances and deposits paid to newspaper partners to continue to expand the Group's newspaper advertising business during the period.

Cash flow used in investing activities

For the six months ended 30 June 2011, net cash used in investing activities amounted to RMB155.4 million, resulting primarily from the prepayment of RMB80.0 million for a long term investment in relation to the potential establishment of jointly controlled entities with certain metropolitan newspaper publishers in the PRC, deposit paid for certain new marketing and promotion projects of RMB61.0 million, and payments for the additions of plant and equipment such as printing equipment and office fixtures of RMB14.6 million.

Cash flow from financing activities

For the six months ended 30 June 2011, net cash used in financing activities amounted to RMB83.1 million, primarily attributable to the repayment of bank borrowings.

Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. The capital expenditures incurred by the Group were mainly for the purchase of printing machinery and office equipment and its capital expenditures were RMB14.6 million and RMB11.0 million for the six months ended 30 June 2011 and 30 June 2010, respectively.

Trade receivables – net

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

	As at 30 June 2011 ***RMB'000*** **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Aging analysis of trade receivables		
1 – 30 days	**49,844**	33,373
31 – 60 days	**25,429**	26,661
61 – 90 days	**19,138**	20,510
91 – 365 days	**162,264**	142,671
Over 1 year	**61,021**	38,584
Total	**317,696**	261,799
Less: provision for impairment of trade receivables	**(43,058)**	(7,170)
Total trade receivables – net	**274,638**	254,629

Trade receivables – net increased by 7.9%, from RMB254.6 million as at 31 December 2010 to RMB274.6 million as at 30 June 2011 mainly because of the increase in the revenue from newspaper advertising, online services and marketing, distribution management, consulting and printing services businesses. Trade receivables turnover days increased from 141 days for the year ended 31 December 2010 to 177 days for the six months ended 30 June 2011 primarily due to the increase in sales to the Group's major customers and online services customers which the Group normally offered a longer credit period.

Trade payables

	As at 30 June 2011 *RMB'000* **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Trade payables		
1 – 30 days	**1,765**	1,463
31 – 90 days	**1,392**	808
Over 90 days	**2,075**	1,893
Total	**5,232**	4,164

Trade payables increased by 25.6%, from RMB4.2 million as at 31 December 2010 to RMB5.2 million as at 30 June 2011, primarily attributable to an increase of payables to the suppliers of newsprint. Trade payables turnover days increased from 5 days for the year ended 31 December 2010 to 6 days for the six months ended 30 June 2011, which was also due to the increase in purchase of newsprint during the period.

Indebtedness

Indebtedness consists of obligations to the Group's lenders, including commercial banks and certain related parties and companies. The following table shows total borrowings at the dates indicated:

	As at 30 June 2011 ***RMB'000*** **(Unaudited)**	As at 31 December 2010 *RMB'000* (Audited)
Borrowings		
Short-term bank loans, secured	**–**	50,000
Other loan	**3,570**	4,607
Loans from related parties	**157**	157
Total	**3,727**	54,764

Total borrowings amounted to RMB54.8 million and RMB3.7 million as at 31 December 2010 and 30 June 2011, respectively. As at 30 June 2011, the Group had unutilised bank facilities of RMB55.0 million.

Loans include borrowings secured by the Group's equipment and investment properties with carrying value amounted to RMB50.0 million and nil as at 31 December 2010 and 30 June 2011, respectively.

Gearing ratio decreased from 4.3% as at 31 December 2010 to 0.3% as at 30 June 2011 primarily due to increase in trade receivables, prepayments, deposits and other receivables, and a decrease in cash and cash equivalents and borrowings.

Commitments

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

	As at 30 June 2011 *RMB'000* (Unaudited)	As at 31 December 2010 *RMB'000* (Audited)
Not later than 1 year	**258,450**	248,279
Later than 1 year and not later than 5 years	**777,375**	606,819
Later than 5 years	**1,914,375**	2,162,000
	2,950,200	3,017,098

Contingent liabilities

As at 30 June 2011, the Group had no contingent liabilities.

Subsequent events

(a) The Group entered into an agreement with Shenyang Daily Agency since March 2008 where the Group was granted the exclusive right to operate all advertising component of Shenyang Evening News' business, and this comprehensive cooperation agreement has been amended and renewed by Shenyang Evening News Media Corporation Limited ("Shenyang Media Corporation"), a subsidiary of Shenyang Daily Agency, and the Group to extend the term of the agreements to 31 December 2011 (the "Renewed Comprehensive Cooperation Contract").

On 25 July 2011, Shenyang Media Corporation notified the Group that it is of the view that an additional advertising fees of RMB7.0 million shall be payable by the Group to Shenyang Media Corporation. Management of Group, based on legal advice it has obtained, believes that Shenyang Media Corporation does not have sufficient basis to support its view and the Group has indicated to Shenyang Media Corporation that it disagrees with such view.

On 26 July 2011, Shenyang Media Corporation further notified the Group that it would unilaterally terminate the Renewed Comprehensive Cooperation Contract with immediate effect. The directors of the Company have sought legal advice from its PRC legal counsel and are of the view that Shenyang Media Corporation has breached the terms of the Renewed Comprehensive Cooperation Contract and that the Renewed Comprehensive Cooperation Contract has been terminated on 26 July 2011 by repudiation. The Group is in the process of communicating and negotiating with Shenyang Media Corporation, and if no mutual consensus could be reached, the Group will authorise its PRC legal counsel to take necessary steps to protect the Company's interests, which include considering a claim against Shenyang Media Corporation for compensation, recovery of the deposit, prepayments, and all the interests, fees and damages payable by Shenyang Media Corporation to the Group under the cooperation contract. The directors, after taking into account of all available facts and circumstances together with the opinion from the Group's PRC Counsel, believes that it is more probable than not that the Group can obtain a favourable outcome over its legal entitlements on the deposit and prepayment that it has placed with Shenyang Media Corporation.

(b) During the period from 1 July 2011 to the date of this announcement, the Group has paid deposits in the total amount of RMB130 million as deposits and prepayments for a few more new marketing and promotion projects.

Human resources

As at 30 June 2011, the Group had approximately 1,153 full-time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2011 was approximately RMB37.4 million (six months ended 30 June 2010: approximately RMB23.5 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees.

The compensation of the directors is 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 the Group's 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

The National Development and Reform Commission of the PRC has issued the Guiding Catalogue for Industrial Structure Adjustments (Version 2011) which declared, for the first time, that "creative advertising, advertisement planning, advertisement design and advertisement production" are to be encouraged, and this shows the support of the government to the development of the advertising industry. As seen from the above, its is expected that there is considerable room for the advertising industry to grow.

In spite of the tight liquidity in the aftermath of the PRC's austerity control over the real estate sector, the general operating environment is satisfactory. The Group's unique business model allows the Group to grasp other market opportunities to further consolidate its business and bring it to a new success by facilitating strong interactions among media partners and assisting advertisers in using different advertising media adeptly.

Looking forward, the Group will continue to reinforce its market position as an integrated printed media service provider, improve its operations in the Internet, radio and television segments, foster more media partners, innovate new media cooperation arrangements, consolidate resources, and further strengthen its team of integrated sales with an aim to provide higher value-added services to its customers. The Group is also seeking to expand its business so as to raise revenue in the face of increasing inflation in the PRC, to mitigate the impact of inflation on the Group.

On the other hand, the Group is actively participating in the structural reform of the newspaper and magazine sector in the PRC. It has pre-emptive rights to acquire equity interests of *Southeast Express* and *Lifestyle Express* and has allocated 30% of the listing proceeds for acquiring shares and mergers and acquisitions. The State has planned to transform state-owned news offices into corporations and there are currently over 5,000 news offices pending for restructuring, which is expected to be completed by the end of this year. The structural reform of the newspaper and magazine sector will lead to higher quality of the Group's publications and better consolidation of the Group's existing media resources.

In conclusion, there are emerging opportunities in the advertising and media sector of the PRC as the Chinese economy continues with its robust growth. The Group, undeterred by the operational challenges, is confident about taking advantage of every opportunity to develop its businesses in a stable and healthy manner.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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. 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 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 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 six months ended 30 June 2011.

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 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 audit 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. Zhuo Ze Yuan. Mr. Wong Heung Ming, Henry is the chairman of the Audit Committee. The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2011.

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 RMB368.9 million through the Global Offering of its shares. As at 31 July 2011, RMB196.5 million have been used in the manner as described in the Prospectus and RMB172.4 million remained unutilized.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2011. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2011 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, 25 August 2011

As at the date of this announcement, the executive directors of the Company are Mr. Chen Zhi (Chairman), 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.

* *For identification purpose only*