Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

SHIFANG HOLDING LIMITED
十 方 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue decreased slightly by approximately 0.2% from approximately RMB529.9 million for the year ended 31 December 2010 to approximately RMB529.0 million for the year ended 31 December 2011.

- Gross profit increased by approximately 4.1% from approximately RMB255.8 million for the year ended 31 December 2010 to approximately RMB266.3 million for the year ended 31 December 2011.

- Profit for the year decreased by RMB102.1 million from RMB161.1 million for the year ended 31 December 2010 to RMB59.0 million for the year ended 31 December 2011, mainly due to the RMB62.7 million increase in impairment provision for trade receivables and the increases in staff costs of RMB20.9 million and amortization of intangible assets of RMB9.0 million.

- Basic earnings per share decreased by approximately 74.6% from RMB0.2858 per share for the year ended 31 December 2010 to RMB0.0727 per share for the year ended 31 December 2011.

- Gearing ratio, the proportion of the Group's total borrowings to total assets, improved from approximately 4.3% as at 31 December 2010 to approximately 3.5% as at 31 December 2011, mainly attributable to the increase in total assets by approximately RMB129.6 million to approximately RMB1,414.6 million.

- The board of directors does not recommend the payment of any final dividend for the year ended 31 December 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 consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2011 together with the comparative figures for the corresponding year of 2010.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2011 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 has been agreed by the Group's external auditors, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong to the Group's consolidated financial statements. 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 2011

	Note	2011 RMB'000	2010 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**61,359**	51,315
Investment properties		**1,975**	1,817
Intangible assets		**52,307**	4,198
Interest in an associate		**40,393**	–
Prepayments, deposits and other receivables	5	**447,500**	190,000
		603,534	247,330
Current assets			
Inventories		**8,245**	5,287
Assets held for sale		**29,336**	29,848
Trade receivables – net	4	**259,669**	254,629
Prepayments, deposits and other receivables	5	**294,649**	187,773
Amounts due from related parties		**4,829**	14,135
Cash and cash equivalents		**214,377**	546,001
		811,105	1,037,673
Total assets		**1,414,639**	1,285,003
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8	**62,863**	63,860
Share premium	8	**530,900**	540,311
Other reserves		**104,017**	91,268
Retained earnings		**421,265**	375,675
		1,119,045	1,071,114
Non-controlling interests		**37,005**	472
Total equity		**1,156,050**	1,071,586

	Note	2011 RMB'000	2010 RMB'000
LIABILITIES			
Non-current liability			
Borrowing		**1,006**	2,789
Amount due to a related party	*7*	**68,600**	–
Deferred income tax liabilities		**7,397**	–
		77,003	2,789
Current liabilities			
Trade payables	*6*	**4,147**	4,164
Other payables and accrued expenses	*6*	**86,668**	114,825
Current income tax liabilities		**40,967**	34,678
Borrowings		**48,522**	51,818
Amounts due to related parties		**1,282**	5,143
		181,586	210,628
Total liabilities		**258,589**	213,417
Total equity and liabilities		**1,414,639**	1,285,003
Net current assets		**629,519**	827,045
Total assets less current liabilities		**1,233,053**	1,074,375

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Revenues	2	**529,034**	529,940
Cost of sales	10	**(262,729)**	(274,144)
Gross profit		**266,305**	255,796
Selling and marketing expenses	10	**(38,049)**	(26,770)
General and administrative expenses	10	**(156,292)**	(51,994)
Other income – net	9	**10,077**	9,591
Operating profit		**82,041**	186,623
Finance income		**2,472**	274
Finance costs		**(1,687)**	(1,462)
Finance income/(costs) – net		**785**	(1,188)
Share of loss of an associate		**(307)**	–
Profit before income tax		**82,519**	185,435
Income tax expenses	11	**(23,498)**	(24,355)
Profit for the year		**59,021**	161,080
Other comprehensive income			
– Revaluation surplus		**–**	919
Total comprehensive income for the year		**59,021**	161,999
Profit/(loss) attributable to:			
– Equity holders of the Company		**52,978**	161,095
– Non-controlling interests		**6,043**	(15)
		59,021	161,080

	Note	**2011**	2010
		RMB'000	*RMB'000*
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		**52,978**	162,014
– Non-controlling interests		**6,043**	(15)
		59,021	161,999
Earnings per share for profit attributable to equity holders of the Company			
– Basic *(RMB per share)*	*12*	**0.0727**	0.2858
– Diluted *(RMB per share)*	*12*	**0.0727**	0.2824
Dividend	*13*	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. Corporate information and basis of preparation

1.1 Corporate information

ShiFang Holding Limited (the "Company") is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the business of publishing and advertising (the "Publishing and Advertising Businesses") in the People's Republic of China (the "PRC").

The Company was incorporated in the Cayman Islands on 9 December 2009 as an exempted company with limited liability under the Companies Law (2009 Revision as amended, supplemented or otherwise modified) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

This consolidated financial information is presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. This consolidated financial information has been approved for issue by the Board of Directors on 27 March 2012.

1.2 Basis of preparation

The accounting policies and methods of computation used in preparing the consolidated financial information of the Group as extracted from the Group's consolidated financial statements are consistent with those followed in preparing the annual financial statements of the Group for the year ended 31 December 2010, except for the adoption of the following new standards and amendments that are mandatory for the first time for the financial year beginning 1 January 2011 and did not have a material impact on the Group's consolidated financial information:

IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendment)	Classification of Rights Issues
IFRS 1 (Amendment)	Limited Exemption from Comparative
IFRS 7	Disclosures for First-time Adopters
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments
Annual Improvements Project	Third annual improvements projects (2010) published in May 2010

The preparation of the Group's consolidated financial information in accordance with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates and requires management to exercise its judgement in the process of applying the Group's accounting policies. Details of the critical accounting judgements and estimates applied to prepare the Group's consolidated financial information are set out in the Group's consolidated financial statements to be included in the 2011 annual report.

Notwithstanding that the Group has net cash outflow of RMB331,624,000 for the year ended 31 December 2011, the Group had net cash and cash equivalents of RMB214,377,000. Based on the directors' review of the Group's cash flow projections, including the Group's expected cash flows from operations and banking facilities that will be available beyond 31 December 2012, the Group is expected to have sufficient cash resources to satisfy its future working capital requirements as at 31 December 2012 and other financial obligations as and when required. Accordingly, the directors consider that it is appropriate to prepare the Group's consolidated financial statements on a going concern basis.

2 Revenues

Revenues from external customers are derived from the provision of newspaper advertising services to advertisers in the PRC, online services, including electronic dissemination of publication and provision of online system development services to newspaper publishers, and the provision of marketing, distribution management, consulting and printing services, and 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 sales are RMB74,249,000 for the year ended 31 December 2011 (2010: RMB70,569,000).

Analysis of the revenues by category is as follows:

	2011	2010
	RMB'000	*RMB'000*
Newspaper advertising	**387,105**	408,654
Online services	**53,431**	65,310
Marketing, distribution management, consulting and printing services	**88,053**	41,538
Television and radio advertising	**445**	14,438
	529,034	529,940

3 Segment information

The Board has been identified as the chief operating decision maker. The 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, the 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

	2011	2010
	RMB'000	*RMB'000*
Trade receivables	**334,752**	261,799
Less: provision for impairment of trade receivables	**(75,083)**	(7,170)
Trade receivables – net	**259,669**	254,629

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 the date on which the relevant sales occurred is as follows:

	2011	2010
	RMB'000	*RMB'000*
1 – 30 days	**27,940**	33,373
31 – 60 days	**16,322**	26,661
61 – 90 days	**13,305**	20,510
91 – 365 days	**142,202**	142,671
Over 1 year	**134,983**	38,584
	334,752	261,799
Less: provision for impairment on trade receivables	**(75,083)**	(7,170)
Trade receivables – net	**259,669**	254,629

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 (Note 10). 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 RMB75,083,000 impairment provision made during the year ended 31 December 2011 included RMB44,722,000 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 RMB30,361,000 is necessary as of 31 December 2011 to provide for those debtors whose recoverability has become less than probable.

The maximum exposures of the Group to credit risk as at 31 December 2011 and 2010 were the carrying value of trade receivables mentioned above. The Group does not hold any collateral as security.

5 Prepayments, deposits and other receivables

	2011	2010
	RMB'000	*RMB'000*
Non current portion		
Prepayment for long term investments	**173,000**	98,000
Deposits to newspaper publishers	**92,000**	92,000
Deposits for marketing and promotion projects	**182,500**	–
Prepayments, deposits and other receivables – non current	**447,500**	190,000
Current portion		
Deposit for a marketing and promotion project	**17,500**	–
Prepayments	**156,210**	91,840
Deposits and other receivables	**77,159**	53,153
Deposit and prepayment to Shenyang Evening News *(a)*	**43,780**	42,780
Prepayments, deposits and other receivables – current	**294,649**	187,773

(a) As at 31 December 2011, deposit made to Shenyang Evening News pursuant to the exclusive advertising agreement between the Group and Shenyang Evening News was RMB10,000,000. The Group has also made prepayment of RMB33,780,000 to Shenyang Evening News under the terms of the exclusive advertising agreement. The exclusive advertising agreement between the Group and Shenyang Evening News was terminated on 26 July 2011.

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

6 Trade, other payables and accrued expenses

	2011	2010
	RMB'000	*RMB'000*
Trade payables	**4,147**	4,164
Other payables and accrued expenses:		
Accrued utility expenses and other liabilities	**660**	848
Accrued salaries and welfare	**7,434**	3,175
Value added tax and other taxes payable	**28,066**	29,323
Other payables	**35,147**	67,920
Deposits from customers	**4,144**	4,299
Receipts in advance	**11,217**	9,260
	86,668	114,825
	90,815	118,989

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:

	2011	2010
	RMB'000	*RMB'000*
1 – 30 days	**2,227**	1,463
31 – 90 days	**815**	808
Over 90 days	**1,105**	1,893
	4,147	4,164

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

7 Amount due to a related party

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 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Share premium	Total
		HK$	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
Ordinary shares of HK$0.1 each at 31 December 2011 and 2010 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares of HK$0.1 each at 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 costs	–	–	–	(106,711)	(106,711)
Ordinary shares of HK$0.1 each at 31 December 2010 and 1 January 2011	732,165,121	73,216,512	63,860	540,311	604,171
Shares repurchased and cancelled	(12,223,000)	(1,222,300)	(997)	(9,411)	(10,408)
Ordinary shares of HK$0.1 each at 31 December 2011	719,942,121	71,994,212	62,863	530,900	593,763

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 of the Company's shares.

(d) During the year ended 31 December 2011, the Company repurchased 12,223,000 of its own shares on the Hong Kong Stock Exchange. The total amount paid to repurchase the shares was HK$12,764,000, equivalent to RMB10,408,000. The repurchased shares were subsequently cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares of RMB9,411,000 was charged to share premium.

9 Other income – net

	2011	2010
	RMB'000	*RMB'000*
Sale of newsprint papers	**473**	1,451
Sale of scrap material	**2,846**	2,702
Government grants	**5,078**	4,293
Sundry income	**1,680**	1,145
	10,077	9,591

10 Profit before income tax

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

	2011	2010
	RMB'000	*RMB'000*
Auditors' remuneration	**4,041**	937
Cost of newspaper advertising		
– Media costs	**208,380**	222,864
Cost of online services	**1,997**	2,021
Cost of television and radio advertising		
– Media costs	**1,220**	11,070
Cost of distribution management, consulting and printing services:		
– Raw material	**14,416**	4,317
– Media costs	**4,503**	4,711
– Other costs	**2,038**	1,420
Depreciation	**8,646**	6,081
Amortisation	**9,609**	601
Operating lease charges in respect of land and building	**4,045**	3,354
Net (gain)/loss on disposals of property, plant and equipment	**(38)**	60
Provision for impairment on trade receivables	**68,101**	5,438
Net foreign exchange loss	**7,144**	2,969
Employee benefit expenses (including directors' emoluments)	**70,700**	49,765
Business tax	**21,937**	21,108

11 Income tax expenses

	2011	2010
	RMB'000	*RMB'000*
Current income tax		
Mainland China Enterprise Income Tax ("EIT")		
– Current tax	**26,747**	24,013
– Under/(over) provision in prior years	**(1,503)**	342
	25,244	24,355
Deferred income tax	**(1,746)**	–
Total income tax expenses	**23,498**	24,355

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 2011 and 2010.

Fuzhou HongXinTu Printing Co., Ltd was qualified as a manufacturing foreign enterprise, and was entitled to Foreign Enterprise Income Tax ("FEIT") holiday of two year exemption plus three year half reduction since 2007 provided that it would operate for more than 10 years. In addition, as Fuzhou HongXinTu located in Fuzhou Economic Development Zone, the tax rate would gradually be increased from 18% to 25% over a period of 5 years. The applicable tax rate of Fuzhou HongXinTu Printing Co., Ltd for year ended 31 December 2011 was 12%. ShiFang YaQi Culture Communication (Xiamen) Co. Ltd. was entitled to the grandfathering treatment where the applicable Corporate Income Tax rate phased-in from 18% to 25% over a period of 5 years through 2012. The applicable tax rate of Shifang YaQi Culture Communication (Xiamen) Co. Ltd. for year ended 31 December 2011 was 24%. Based on the certificate dated 30 December 2008, Xiamen Duke Information Science & Technology Co., Ltd was granted the qualification as a software production enterprise, and was entitled to FEIT holiday of FEIT holiday of two year exemption plus three year half reduction since 2008. In addition, Xiamen Duke was located in the High technology Development Zone, the tax rate would gradually be increased from 18% to 25% over a period of 5 years. The applicable tax rate of Xiamen Duke Information Science & Technology Co., Ltd for year ended 31 December 2011 was 12%.

12 Earnings per share

(a) Basic

Basic earnings per share for the years ended 31 December 2011 and 2010 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 year.

	2011	2010
Profit attributable to equity holders of the Company *(RMB'000)*	**52,978**	161,095
Weight average number of shares in issue *(thousands)*	**728,612**	563,666
Basic earnings per share *(RMB per share)*	**0.0727**	0.2858

(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. During the year ended 31 December 2011, the Company's share options issued under the pre-IPO share option was the sole category of potential dilutive ordinary shares (2010: same). The effect of the potential dilutive ordinary shares outstanding during the year ended 31 December 2011 was anti-dilutive (2010: dilutive).

	2011	2010
Profit attributable to the equity holders of the Company *(RMB '000)*	**52,978**	161,095
Weighted average number of ordinary shares issued *(thousands)*	**728,612**	563,666
Adjustment for share option *(thousands)*	**–**	6,796
Weighted average number of ordinary shares issued for diluted earning per share *(thousands)*	**728,612**	570,462
Diluted earnings per share *(RMB per share)*	**0.0727**	0.2824

13 Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The advertising market of the PRC maintained a steady growth in 2011. According to a report published by CTR Market Research Co. Ltd.（央視市場研究）, based on standard advertising rates, total advertising spending grew by 12.9% year-on-year to RMB669.33 billion, driving the PRC to become one of the world's leading advertising markets. The growth of both printed media and outdoor media slowed down as the year-on-year growth of newspaper advertising and outdoor media advertising were 11% and 6%, respectively. Radio advertising maintained a good momentum with an increase of 28% compared with the corresponding period last year, while that of television advertising was 13%. Based on the data of the PRC Internet advertising market in 2011 released by iResearch, the Internet continued to have the strongest growth of 57.3%, reflecting the market acceptance of new media.

The Company and its subsidiaries ("ShiFang" or 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. The Group is dedicated to offering one-stop solutions with its cross-media advertising platform to advertisers and creating value for its customers.

For the year ended 31 December 2011, ShiFang's revenue from its major businesses amounted to approximately RMB529.0 million, which was similar to that of 2010. For the year ended 31 December 2011, the Group achieved a gross profit of approximately RMB266.3 million and a gross profit margin of 50.3%, representing a 2 percentage points increase from 48.3% for the year ended 31 December 2010. This was mainly due to the slight increase in gross profit margins of the newspaper advertising, distribution management and consulting businesses and the higher gross profit margin of the marketing business, which were offset by the decreases in gross profit margins of the online services, printing services, and television and radio advertising businesses. Net profit after tax of the Group was approximately RMB59.0 million, representing a decrease of 63.6% compared with the corresponding period in 2010. The decrease was mainly attributable to the provision of bad debts of RMB68.1 million in respect of trade receivables for the year including the specific provision for impairment on trade receivables of RMB30.4 million relating to the Group's business in Shenyang, the increases in staff cost of RMB7.7 million and RMB11.9 million recognised in selling and marketing expenses and general and administrative expenses, respectively, the increase in amortization of intangible assets of RMB9.0 million and the increase in foreign exchange loss of RMB4.2 million.

* *For identification purpose only*

Despite the austerity measures of the PRC regarding the real estate sector and the resulting tight liquidity, the inclusion of the advertising industry, for the first time, into the *Guiding Catalogue for Industrial Structure Adjustment* under the PRC's Twelfth Five-Year Plan as one of "the industries to be supported", together with the favorable national policy, shall benefit the sustainable development of the PRC media and advertising industry, and the Group shall, capitalizing on this changing market environment, also continue to grow steadily and develop new businesses. For instances, the Group entered into cooperation with the Management Committee of Wuhua Technology Park* in Kunming, established new media partnerships with *Xiamen Daily, Xiamen Evening News, City Lifestyle Weekly**（《城市生活信報》）and *TV Friends**（《電視朋友》）, offered marketing services to the real estate sector and explored into the business of cross-platform mobile services.

Solid customer base of advertisers

The Group's solid customer base covers various sectors including consumer products, real estate, 3C (computer, communication and consumer products), telecommunications, home appliances retailing, automotive, home construction materials, healthcare and medical, education and classified advertisements. Despite PRC's austerity measures, the Group's customer mix in 2011 remained similar to that in the previous years.

While maintaining a good relationship with its existing advertising customers, the Group is also actively seeking new customers. The Group assisted its newspaper advertising clients to expand into other advertising means and offered them higher quality and unique advertising packages in order to help them achieve their marketing objectives. Such integrated packages involved new technologies which combine traditional printed newspaper advertisements, newspaper contents, the Internet and mobile phone and emphasised on the development of the mobile Internet business.

Newspaper advertising

In 2011, the Group's newspaper advertising revenue amounted to RMB387.1 million, dropped by 5.3% compared with the corresponding period last year. Gross profit amounted to RMB162.0 million, representing a year-on-year decrease of 3.8%, which was mainly a result of trimming down the spending on newspaper advertising by advertisers due to the tightening measures of the PRC government and the further segmentation of the media market. Newspaper advertising revenue generated from comprehensive cooperation media partners amounted to RMB313.3 million, accounting for 80.9% of the total revenue of the newspaper advertising business. Newspaper advertising revenue generated from partial cooperation contracts amounted to RMB73.8 million, which was 19.1% of the total revenue of newspaper advertising business.

The overall advertising market in the PRC experienced a decelerated growth in 2011. According to CTR Market Research, the year-on-year growth, which was 11%, slowed down in 2011 mainly because of the country's tightening measures regarding the real estate sector. The lack of growth momentum of the industry and the shift of advertising channel from newspapers to other media such as magazines and radio also contributed to the slowdown. During the period under review, the Group stayed focus on newspaper advertising as its core business, and the lowered revenue was mainly attributable to the reduction in marketing budget by advertisers in light of the austerity measures regarding real estate and other industries and also their tightening financial conditions.

As of 31 December 2011, the Group had 13 media partners in over 16 second- and third-tier cities across eight provinces in the PRC, covering readers of 76.6 million. In addition to its existing partners, namely *Southeast Express, Lifestyle Express, Modern Life Daily, Yan Zhao Metropolitan Newspaper Jidong Edition, Dalian Daily, Southeast Business, Jinhua Daily, Jinhua Evening News and Central Guizhou Morning Post,* the Group newly partnered with three newspapers, *Xiamen Daily, Xiamen Evening News* and *City Lifestyle Weekly*, and a magazine, *TV Friends*, during 2011. Such addition further consolidated the foothold of ShiFang in the PRC and allowed wider coverage for its clients. These newspapers have granted the Group comprehensive or partial cooperation rights to sell their advertising spaces. In connection with the sale of advertising spaces, the Group offers one-stop newspaper advertising solutions and integrated marketing services to its advertisers. After taking into account the operating environment in 2012 and its own strategies, the Group decided not to renew the partial cooperation contract with *Dalian Daily* in respect of the exclusive agency for the real estate sector in December 2011 with effect from January 2012.

The Group actively participated in the structural reform of publications (excluding current and political affairs) sectors in the PRC, which aims at procuring the rapid development of the news publication industry in the PRC. In December 2011, the Group entered into a joint venture agreement with Liaoning Baixin Media Company Limited*（遼寧百信傳媒有限公司）for the establishment of a joint venture, namely ShiFang XinDa Culture Media Company Limited*（十方信達文化傳媒有限公司）to engage in the operation of *City Lifestyle Weekly*, formerly known as *Liaoning Broadcasting & TV Weekly**（《遼寧廣播電視報》）, and *TV Friends*. The Group holds 60% interest in this joint venture. *City Lifestyle Weekly* is an entertainment and lifestyle weekly journal distributed in Liaoning Province with a market coverage of 14 cities in the province and covering readers of 7.8 million. *TV Friends* is an entertainment magazine distributed throughout the PRC. The new joint venture agreement will provide the Group with more opportunities to expand its business into the northeastern part of the PRC, and hence strengthening the Group's position as a provider of integrated printed media services within the market. In addition, in order to seize the business opportunities brought by the structural reform in the PRC newspaper media sector, the Group is now negotiating and discussing potential investment and cooperation opportunities with several publications.

On 26 July 2011, Shenyang Media Corporation, one of the Group's partners under a comprehensive cooperation contract in the PRC, unilaterally terminated the contract with the Group. This brought a considerable impact on the Group's business and led to a surge in the specific provision for impairment on trade receivables. The Group has commenced legal proceedings against Shenyang Media Corporation and issued a civil writ*（民事起訴狀）to the Higher People's Court in the PRC in respect of a claim for a sum of approximately RMB105.6 million. The Group has recently received a civil judgment issued by the Higher People's Court which referred the case to the Shenyang Intermediate People's Court in Liaoning Province*（遼寧省瀋陽市中級人民法院）(the "Intermediate People's Court"). As advised by the PRC legal counsel of the Group, an appeal has been lodged to the Supreme People's Court of the PRC to request that the case shall remain to be heard in the Higher People's Court. In the meantime, Shenyang Media Corporation has also initiated another legal proceedings against Liaoning AoHai TianYi Media Advertisement Co., Ltd.*（遼寧奧海天一傳媒廣告有限公司）, a wholly owned subsidiary of the Company, at the Intermediate People's Court as disclosed in our announcement dated 13 March 2012 but judgment is yet to be made by the court. The Group will, as soon as possible, continue to pursue the development and collaboration of other businesses to minimise such impact on the business of the Group.

Online services

In 2011, revenue of the Group's online services and digital media businesses amounted to RMB53.4 million, accounting for 10.1% of the Group's total revenue and representing a decrease of 18.2% compared with the corresponding period last year. Gross profit was RMB49.2 million, down by 18.7% compared with the corresponding period last year, which was mainly due to the fierce market competition, strategic adjustment to its websites and the reduction in online service budget by the clients in view of the financial environment.

During the period under review, the Group continued to enhance its digital publication platform and Duk (www.duk.cn) database system, and offer comprehensive services and information to net surfers. Being one of the digital media publishing platforms with the longest history, the greatest influences and the highest numbers of publications in the PRC, Duk is currently the only and the first private enterprise engaging in new media in Fujian Province which was granted the licence for Internet publication by the General Administration of Press and Publication of the PRC offering new digital media solutions in Fujian Province. Publications on Duk mainly include original novels, books, electronic magazines and digital newspapers and books. Duk has 13 million registered members. Newspapers from 17 cities, 860 magazine publishers (over 5,000 magazines), over 200 publishing houses and almost

100,000 pieces of original literature and 4 million application documents are available on Duk with the help of Duk's digital publishing technology and network. In February 2012, the number of original novels, digital newspapers, periodicals, magazines, works of literature, books and documents published on Duk exceeded 470 million.

On 8 December 2011, Duk's new version was launched with a clear business model which focuses on expanding the variety of reading items from the core original novels to incorporate both network and traditional literature. The Group offers professional copyright agency services (C2B) and the best and most unrestricted writing platform of original literature (B2C) for writers. Moreover, the Group vigorously expands the business of copyrights trading (B2B) by cooperating with third party digital platforms and reading bases and setting up marketing channels for institutional users. Together with effective marketing strategies, the Group endeavours to boost writers' reputation and maximize the revenue from their works, thereby achieving a win-win situation.

The three business models achieved significant progress as all the basics are ready and the Group is now marketing them and pursuing further development.

In respect of the **C2B business (copyright agency)**, the number of contracted writers of original literature increased to 2,530, involving 5,820 pieces of work. The cooperation with seven major channels, namely newspapers, magazines, radio, television, publishing houses, mobile platforms and websites, has achieved a breakthrough as the Group entered into cooperation with almost 100 publishing houses. Furthermore, the Group has successfully attracted more renowned authors to join the business through promoting renowned authors through promotional planning. For example, a contracted author of the Group appeared on a variety of shows, namely You Are The One, as part of the Group's promotional campaign.

For the **B2C business (original websites)**, Duk's new version was formally launched on 8 December 2011. As at the date hereof, the number of newly registered users amounted to 1.4 million and the accumulative number of registered users has reached 13 million. The clickthrough rate of works of key writers per month has exceeded 10 million times. In terms of the mobile network, readers' application for Android mobile phones and iPad were launched simultaneously. The daily download number of the Group's application of "bedtime stories for baby", an audio reading software, hit 5,800 per day, and the total number of users has reached 400,000. The Group has also formulated detailed plans in respect of the website operations. In addition to traditional website promotion methods, the Group will also underline the news of some celebrity writers so as to maximise the effect of its marketing effort to promote Duk in a cost-effective way.

The **B2B business (trading of copyrights)** has gathered 215 publishers or publishing houses with 20,000 works for whole-book cooperation; and 326 publishers or publishing houses with over 30,000 works for serialized publication. Duk has been exploring opportunities of sales cooperation with third parties. The Group entered into various sales and distribution agreements with Huanjianshumeng, a mobile BREW platform（廣州坤建通信技術有限公司）, 360buy.com, taohua.com, Panda Reader (Fujian Bo Rui Websoft Technology Ltd.*（福建博瑞網絡科技有限公司）) and VIVA. In the field of corporate sales, the Group entered into a cooperation agreement in respect of the sales of materials of overseas universities, libraries of secondary and primary schools, and public libraries after several visits to and negotiation with Nexus Far East Co., Limited. There was also huge progress in the cooperation with mobile terminals. The Group has successfully passed the review by reading bases and is seeking to become a content provider for a reading website, 天翼閱讀. It will also establish cooperation with another mobile reading platform through a third party.

Duk, being a content provider for three major reading sites, focuses on the development of end-market wireless mobile reading platforms and has launched reader software compatible with operating systems such as iPhone, iPad and Android.

Yunnan HanDing Technology Co., Ltd.*（雲南漢鼎科技有限公司）("Yunnan HanDing"), a company engaging in new online media business, was established by the Group in 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*, which is a major media in Kunming, Yunnan. The Version 1.0 of Wan Wei Life includes the information of 12,000 lifestyle services businesses, among which over 1,200 businesses cooperate exclusively with Wan Wai Life in offering concessions to its users. The website is well-recognized by the local governments, businesses and users. Yunnan HanDing plans to launch mobile applications for iOS and Android platforms in 2012, such as Wan Wai Yunnan, a mobile travel information application, and Zhui Ai Magazine, a mobile reading application.

The Group is seeking to develop diversified reader applications for Duk platforms with the intention that these platforms will encourage cooperation with more content providers such as newspapers and publishers, which will in turn lead to an increase in revenue from the Group's electronic publishing services.

Marketing, distribution management, consulting and printing services

Revenue from the Group's marketing, distribution management, consulting and printing services amounted to RMB88.1 million for the year ended 31 December 2011, accounting for 16.6% of the Group's total revenue and representing a significant increase of 112.0% compared to the corresponding period last year, mainly due to a surge in revenue from the marketing segment and the expansion of the printing services business. In addition to the new printing production line added by the printing company in Fuzhou in February 2011, the Group has also added a printing production line for *Central Guizhou Morning Post* in the second half of 2010, resulting in a year-on-year increase in revenue from printing services of RMB12.7 million.

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. During the year, the Group provided comprehensive distribution and management services to *Southeast Express* and *Lifestyle Express.* In addition, the factories in Kunming and Guizhou were operating smoothly in the printing of *Lifestyle Express* and *Central Guizhou Morning Post*, while the Fuzhou factory has added a new production line to meet the increased demand for the printing of *China Securities Journal* and *Shanghai Securities News* to be distributed in Fujian in addition to the printing of *Southeast Express*. With effective management of newspaper printing, the Group is able to maintain high quality in printing these publications and advertisements, as well as the strategic and close cooperative relationships with the media partners.

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 is owned as to 51% by the Group through a capital contribution and share subscription in April 2011, provides planning and marketing services for real estate projects, collections of planning fees and commissions and operates FangKe Web. Leveraging on its own resources and the established platform developed by FangKe Web, the Group provides comprehensive project marketing and property marketing planning so as to strengthen its cooperation with customers and enhance the quality and effectiveness of its comprehensive marketing projects. Revenue from the Group's real estate marketing services amounted to RMB35.0 million for the year. Furthermore, 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 in order to expand its customer base. Under the agreement, the Group will conduct marketing, investment promotion and advertisement creative planning, production and publishing programs for the property development at lot 13 of Wuhua Technology Park. This project is progressing as planned.

ShiFang Healthcare Technology Corporation Limited*（十方健康科技有限公司）, a subsidiary formed by the Group in May 2011, is committed to develop the most unique medical and healthcare information platform across the country and provide all-round medical and healthcare information by setting up an integrated information services platform comprising websites, call centre platforms, appointment and registration systems.

Television and radio advertising

During the year ended 31 December 2011, revenue from 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 96.9% compared with the corresponding period last year, mainly because the Group voluntarily gave up renewing the agency contract with Dalian Television Station.

The television advertising business operates principally as an extended and auxiliary service to customers in the newspaper advertising business in order to expand our business beyond the newspaper media. The Group renewed its cooperation with Nanning Television Station to mainly broadcast advertisements in respect of the automotive and related industries during the advertising time slots on four channels of Nanning Television Station. The Group has also planned and produced mini-programmes focusing on the automotive industry, during which advertisements have also been aired. In view of its internal resources and the current operating environment, the Group voluntarily gave up renewing the agency contract in respect of the property industry with Dalian Television Station in 2011. Besides, the automotive advertisement project in collaboration with Nanning Television Station in Guangxi was relatively small in scale and was not able to make sizeable revenue contribution to the Group. In addition, the State Administration of Radio Film and Television issued the *Notice of Further Strengthening the Management of the Advertisement Broadcasting on Radio and Television* in October 2011 which restricts the length and times of intermittent advertisements. This provision will exert cost pressure on the overall television advertising industry. The Group is currently exploring other cooperation opportunities with other television stations in order to expand the income source of the television advertising business.

In terms of radio advertising, the Group carried on its 5-year cooperative 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 wholly-owned subsidiary of China National Radio in relation to the development of radio stations at provincial, municipal and county levels for the purposes of expanding the Group’s broadcasting media resources beyond the newspaper and online digital media. Although Beijing Shifang Yizhi Company Limited*（北京十方意智文化傳播有限公司）, the project company responsible for the sales of the radio programme library of China National Radio, has formally commenced operation, it did not bring any operating income to the Group as the programme library of the partner has not yet been available to the Group. The Group is now negotiating with YangGuang DuShi with an aim of obtaining access to the library and commencing operation as soon as possible.

FINANCIAL REVIEW

Revenue

Total revenue decreased slightly by 0.2% from RMB529.9 million for the year ended 31 December 2010 to RMB529.0 million for the year ended 31 December 2011, primarily because the increase in revenue from marketing, distribution management, consulting and printing services from RMB41.5 million for the year ended 31 December 2010 to RMB88.1 million for the year ended 31 December 2011 was offset by the decrease in the revenue from newspaper advertising from RMB408.7 million for the year ended 31 December 2010 to RMB387.1 million for the year ended 31 December 2011 and the decrease in revenue from online services from RMB65.3 million for the year ended 31 December 2010 to RMB53.4 million for the year ended 31 December 2011.

The decrease in revenue from newspaper advertising from RMB408.7 million for the year ended 31 December 2010 to RMB387.1 million for the year ended 31 December 2011 was mainly because the increase in revenue of RMB18.6 million from two newly acquired partners, namely *Xiamen Daily* and *Xiamen Evening News*, as well as the increase in revenue from *Central Guizhou Morning Post* of RMB12.8 million as compared with 2010 were offset by a decrease of RMB39.6 million in the revenue as compared with 2010 caused by the termination of the cooperation with *Shenyang Evening News* on 26 July 2011 because of a default. Revenue from comprehensive cooperation contracts accounted for approximately 80.9% of the total newspaper advertising revenue for the year ended 31 December 2011.

Gross profit and gross profit margin

Gross profit increased by 4.1% from RMB255.8 million for the year ended 31 December 2010 to RMB266.3 million for the year ended 31 December 2011. Gross profit margin increased from 48.3% for 2010 to 50.3% for 2011. The increase was mainly due to a slight increase in gross profit margins of newspaper advertising as well as the higher gross profit margin of marketing services, partially offset by the decrease in gross profit margins of online services, printing services and the television and radio advertising business.

Other income

Other income increased by 4.2% from RMB9.6 million for the year ended 31 December 2010 to RMB10.0 million for the year ended 31 December 2011, primarily as a result of an increase in the income from government subsidies.

Selling and marketing expenses

Selling and marketing expenses increased by 41.8% from RMB26.8 million for the year ended 31 December 2010 to RMB38.0 million for the year ended 31 December 2011, mainly because of an increase in compensation paid to our sales team due to an expansion of our sales team and workforce, as well as an increase in commission paid. In addition, the Group has hired additional sales personnel during the year. Selling and marketing expenses as a percentage of revenue increased slightly from 5.1% for the year ended 31 December 2010 to 7.2% for the year ended 31 December 2011.

General and administrative expenses

General and administrative expenses increased by 200.6% from RMB52.0 million for the year ended 31 December 2010 to RMB156.3 million for the year ended 31 December 2011, mainly because of a specific impairment provision for trade receivables of RMB68.1 million, among which an amount of RMB30.4 million was related to the trade receivables due from debtors in Shenyang, which may end their customer relationship with the Group after the termination of the cooperation contract between the Group and Shenyang Media Corporation, thereby making such trade receivables mostly irrecoverable. In addition, another major reason for making impairment provision for receivables was that some customers were not able to pay their advertising fees on time amid the discouraging economic environment and the relatively tight monetary policies adopted in the market, in particular the continuous measure of the central government to curb the property industry. The increase in general and administrative expenses was also caused by the increases in foreign exchange loss of RMB4.2 million, amortization of intangible assets of RMB9.0 million and staff cost of RMB11.9 million.

Profit before income tax

As a result of the foregoing factors, profit before income tax for the year ended 31 December 2011 was RMB82.5 million, representing a decrease of 55.5% as compared to RMB185.4 million for the year ended 31 December 2010.

Income tax expenses

Income tax expenses decreased by 3.7% from RMB24.4 million for the year ended 31 December 2010 to RMB23.5 million for the year ended 31 December 2011 as a result of the decrease in taxable income for the year. Also, the effective tax rates increased from 13.1% for the year ended 31 December 2010 to 28.5% for the year ended 31 December 2011, mainly due to the change in applicable corporate income tax rates of certain subsidiaries operating in the PRC.

Profit for the year

As a result of the foregoing factors, profit for the year decreased by 63.4% from RMB161.1 million for the year ended 31 December 2010 to RMB59.0 million for the year ended 31 December 2011, principally due to the provision for bad debts in respect of trade receivables for the year of RMB68.1 million including the specific bad debt provision of RMB30.4 million for the amount due from the debtor in Shenyang, the increase in staff costs of RMB7.7 million and RMB11.9 million recognised in selling and marketing expenses and general and administrative expenses, respectively, the increase in amortization of intangible assets of RMB9.0 million as well as the increase in foreign exchange loss of RMB4.2 million.

Profit/loss attributable to non-controlling interests

Profit attributable to non-controlling interests increased from a loss of RMB15,000 for the year ended 31 December 2010 to RMB6.0 million for the year ended 31 December 2011.

Profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company decreased by 67.1%, from RMB161.1 million for the year ended 31 December 2010 to RMB53.0 million for the year ended 31 December 2011.

Liquidity and capital resources

	Year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net cash generated from operating activities	**4,458**	66,762
Net cash used in investing activities	**(382,927)**	(154,834)
Net cash generated from financing activities	**46,845**	593,430
Net (decrease)/increase in cash and cash equivalents	**(331,624)**	505,358
Cash and cash equivalents at the beginning of the year	**546,001**	40,643
Cash and cash equivalents at the end of the year	**214,377**	546,001

Cash flow from operating activities

For the year ended 31 December 2011, net cash generated from operating activities amounted to RMB4.5 million, primarily attributable to profit before tax of RMB82.5 million, which was offset by an increase in trade receivables of RMB72.7 million as well as an increase in prepayments from advertising costs 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 2011, net cash used in investing activities amounted to RMB383.0 million, resulting primarily from the prepayment for long term investment of RMB75.0 million, investment in an associate of RMB40.0 million, deposit paid for exclusive marketing and promotion projects of RMB208.8 million, acquisition of a cooperation partnership business of RMB40.0 million, payments for the additions of plant and equipment such as printing equipment and office fixtures of RMB18.8 million and payments for the additions of intangible assets of RMB8.6 million.

Cash flow from financing activities

For the year ended 31 December 2011, net cash generated from financing activities amounted to RMB46.8 million, primarily attributable to the repayment of bank borrowings of RMB50.0 million, repurchase of the shares of the Company of RMB10.4 million, payments for share issuance costs of 36.3 million, net off by the proceeds from bank borrowings of RMB47.0 million, capital contribution from non-controlling interest shareholders of RMB30.0 million, and proceeds from a loan from a related party.

Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. Capital expenditures incurred mainly for the purchase of printing machinery and office equipment. Capital expenditures were RMB24.0 million and RMB18.8 million for the years ended 31 December 2010 and 31 December 2011, respectively.

Trade receivables – net

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

	As at 31 December	
	2011	2010
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**27,940**	33,373
31 – 60 days	**16,322**	26,661
61 – 90 days	**13,305**	20,510
91 – 365 days	**142,202**	142,671
Over 1 year	**134,983**	38,584
Total	**334,752**	261,799
Less: provision for impairment of trade receivables	**(75,083)**	(7,170)
Total trade receivables – net	**259,669**	254,629

Trade receivables increased by 2.0%, from RMB254.6 million as at 31 December 2010 to RMB259.7 million as at 31 December 2011 mainly because of the increase in the repayment cycle from the newspaper advertising customers and online services customers which the Group has granted long credit periods to them. Trade receivables turnover days increased from 141 days for the year ended 31 December 2010 to 177 days for the year ended 31 December 2011 primarily due to the increase in sales to major customers and internet services customers who enjoy longer credit periods.

Assets held for sale

The properties for which the Group is given the contractual right to sell under these arrangements are held under the line item "assets held for sale".

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Properties held for sale	**29,336**	29,848

The Group recognize revenue from advertising services upon obtaining the contractual rights to sell the relevant properties. Such revenue recognised from the relevant real estate customers were RMB17.9 million and RMB5.1 million for the years ended 31 December 2010 and 31 December 2011, respectively, which accounted for 3.4% and 1.0% of total revenue, respectively. For the same periods, the amount of proceeds received from the sales of such properties was RMB10.9 million and RMB5.6 million, respectively.

Trade payables

	As at 31 December	
	2011	2010
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**2,227**	1,463
31 – 90 days	**815**	808
Over 90 days	**1,105**	1,893
Total	**4,147**	4,164

Trade payables decreased slightly by 2.4%, from RMB4.2 million as at 31 December 2010 to RMB4.1 million as at 31 December 2011, remained largely unchanged compared with last year. Trade payables turnover days increased from 5 days for the year ended 31 December 2010 to 6 days for the year ended 31 December 2011, which was mainly due to the increase in purchases of newsprint during the year.

Indebtedness

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

	As at 31 December	
	2011	2010
Borrowings	***RMB'000***	*RMB'000*
Short-term bank loans, secured	**47,000**	50,000
Other loan	**2,528**	4,607
Loans from related parties	**157**	157
Total	**49,685**	54,764

Total borrowings amounted to RMB54.8 million and RMB49.7 million as at 31 December 2010 and 31 December 2011, respectively.

Loans include borrowings secured by equipment and investment properties with carrying value amounted to RMB50.0 million and RMB47.0 million for the years ended 31 December 2010 and 31 December 2011, respectively.

Gearing ratio decreased from 4.3% as at 31 December 2010 to 3.5% as at 31 December 2011 primarily due to increases in property, plant and equipment, intangible assets, interest in an associate, trade receivables, and prepayments, deposits and other receivables, and decrease in loans from related parties and cash and cash equivalent.

Commitments

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

	As at 31 December	
	2011	2010
	RMB'000	*RMB'000*
Not later than 1 year	**252,750**	248,279
Later than 1 year and not later than 5 years	**623,250**	606,819
Later than 5 years	**1,992,750**	2,162,000
	2,868,750	3,017,098

Contingent liability

On 26 July 2011, Shenyang Media Corporation, one of the Group's partners under a comprehensive cooperation contract, unilaterally terminated the contract with the Group.

Shenyang Media Corporation initiated civil action against the Group on 25 October 2011 through the Shenyang Intermediate People's Court in Liaoning Province ("Intermediate People's Court"), where Shenyang Media Corporation claimed the Group for a total sum of RMB17,329,000, being the outstanding advertising fee payable by the Group as at 26 July 2011 under the comprehensive cooperation contract between the Group and Shenyang Media Corporation and all legal costs in relation to the litigation.

On 22 December 2011, the Group issued a civil writ to the Higher People's Court of Liaoning Province (the "Higher People's Court") in the PRC against Shenyang Daily Agency and Shenyang Media Corporation, pursuant to which the Group claimed Shenyang Daily Agency and Shenyang Media Corporation for a total sum of RMB105,579,352, being the outstanding advertising fees payable by Shenyang Daily Agency and Shenyang Media Corporation to the Group under their comprehensive cooperation contract with the Group together with all the legal costs the Group incurred in relation to such litigation.

On 8 March 2012, the Group has received a civil judgment issued by the Higher People's Court in relation to the civil writ issued on 22 December 2011, pursuant to which the Higher People's Court decided to refer the case to the Intermediate People's Court. As advised by the Company's PRC legal counsel, on 13 March 2012, the Group has lodged an appeal to the Supreme People's Court of the PRC (the "Supreme People's Court") to request the Supreme People's Court to overrule the Higher People's Court's decision and order that the case shall remain to be heard in the Higher People's Court pursuant to the PRC law.

No provision for loss has been made in respect of the litigation between the Group, and Shenyang Daily Agency and Shenyang Media Corporation, as at 31 December 2011, as management, having considered all available facts and circumstances and legal advice from the Group's external legal counsel, has determined that these claims would not result in an outflow of economic benefits from the Group.

Human resources

As at 31 December 2011, the Group had approximately 1,070 full-time employees. Total staff costs including directors' remuneration for the year ended 31 December 2011 was approximately RMB70.7 million (2010: approximately RMB49.8 million). The Group offer competitive remuneration packages to 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 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 Company will endeavor to build up its comprehensive "ShiFang" advertising network that offers diversified advertising platforms and services to its clients in the future. The Twelfth Five-Year Plan of the PRC clearly stipulates that the country will continue to procure the healthy development of the advertising industry, while "advertising creation, advertising planning, advertising design and advertising production" was listed as one of the supported industries in the *Guidance Catalogue for Industrial Structure Adjustment (2011 Version)*, and will enjoy privileges under the relevant national policies for the first time. Coupling with the provincial development plans for the advertising industry promulgated across the PRC, such national policies will provide strong impetus and room for the growth of the advertising industry. Besides, the constant expansion of the PRC economy and the consumption power of the Chinese will certainly boost advertisers' investments and the growth of the industry. The Group believes that in the long run, there will be enormous room for the development of the PRC advertising industry and ShiFang.

Leveraging on its brand equity, extensive geographical coverage, effective cross-media platform, constant technology innovation and integration abilities as well as its competitive integrated media service platform, ShiFang is fully equipped to offer its advertisers flexible and diversified advertising media and will continue to seize the opportunities presented by the favourable environment and continual development of the advertising industry. Nonetheless, ShiFang is faced with various macro-economic issues such as the national reform of publications (excluding current and political affairs), the impact of the national macro-economic control measures on advertisers, particularly those in the real estate industry, and the consequential tight supply of capital in the market, and will stay alert and response.

Looking forward, the Group will continue to consolidate its position as a leading integrated media services provider. In order to further develop its comprehensive and diversified media platform and strengthen the marketing of its integrated products, not only will the Group keep its edge in the newspaper advertising business, but it also will actively develop new technologies, such as online and mobile phone platforms, to facilitate its development in the Internet and new media. Through the provision of better integrated media platform and services with higher efficiency and value to advertisers, the Group aims to create a sustainable growth for the shareholders.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 18 May 2012 to 22 May 2012, 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 17 May 2012.

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**"). The Company advises that it has been introducing, and continues to introduce, measures to comply with the recent changes to the Listing Rules relating to corporate governance. 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 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 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 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 December 2011, RMB272.7 million have been applied in the manner as described in the Prospectus and RMB96.2 million remain unused.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

For the year ended 31 December 2011, the Company repurchased its own shares on the Stock Exchange as follows:

Month/Year	**Number of shares repurchased**	**Highest price per share**	**Lowest price per share**	**Aggregate consideration (excluding expenses)**
	HK$	*HK$*	*HK$*	*HK$*
August 2011	604,000	0.9	0.82	527,381
September 2011	11,619,000	1.12	0.93	12,190,914

For the year ended 31 December 2011, the Company repurchased a total of 12,223,000 ordinary shares of HK$0.1 each in the capital of the Company and were all cancelled in October 2011. Accordingly, the issued share capital of the Company was reduced by the nominal value thereof. The premium payable on repurchase was charged against the share premium account of the Company.

Subsequent to the reporting date, the Company has not redeemed any of its listed shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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 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, 27 March 2012

As at the date of this announcement, the executive directors of the Company are Mr. Chen Zhi (Chairman), Mr. Hong Pei Feng, Mr. Zhang Tie Zhu and Mr. Yu Shi Quan; the non-executive director of the Company are Mr. Wang Ping and Ms. Chen Min; the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, Mr. Zhuo Ze Yuan and Mr. Cai Jian Quan.