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ShiFang Announces 2011 Annual Results

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Net profit amounts to RMB59.0 million
Four main businesses maintain healthy status

Results Highlights:

- Revenue decreased slightly by approximately 0.2% to RMB529.0 million in 2011 from RMB529.9 million in 2010.

- Gross profit increased by approximately 4.1% to RMB266.3 million in 2011 from RMB255.8 million in 2010.

- Profit for the year amounted to RMB59.0 million, mainly due to provision for impairment of trade receivables, an increase in staff costs and amortization of intangible assets.

- Basic earnings per share decreased by 74.6% to RMB0.0727 per share.

- Gearing ratio, the proportion of the Group's total borrowings to total assets, improved to 3.5% from 4.3% in 2010. It was mainly because total assets increased by approximately RMB129.6 million to RMB1,414.6 million.

(27 March 2012, HONG KONG) – **ShiFang Holding Limited** ("ShiFang" or the "Company", and together with its subsidiaries the "Group", HKSE stock code: 01831) today announced its consolidated annual results for the year ended 31 December 2011.

During the year under review, ShiFang's revenue from major businesses amounted to RMB529.0 million, which was similar to that of 2010. The Group achieved gross profit of RMB266.3 million and gross profit margin of 50.3%, representing an increase of 2 percent points from 48.3% recorded last year. This was mainly due to the slight increase in gross profit margin in newspaper advertising, distribution management and the consulting business and the higher gross profit margin in the marketing business, while being offset by the decreases in gross profit margin in online services, printing services, and television and radio advertising business.

Net profit after tax of the Group was RMB59.0 million, representing a decrease of 63.6% compared to 2010. The decrease was mainly due to the provision of bad debts of RMB68.1 million with respect to trade receivables for the year (including a specific provision for impairment on trade receivables of RMB30.4 million relating to the Group's business in Shenyang), as well as a RMB7.7 million increase in staff costs, RMB11.9 million recognised in selling and marketing expenses and general and administrative expenses, an increase in amortisation of intangible assets of RMB9.0 million and an increase in foreign exchange loss of RMB4.2 million.

Newspaper advertising

In 2011, the Group's revenue from newspaper advertising amounted to RMB387.1 million, a drop of 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 a decline in spending on newspaper advertising by advertisers due to the tightening measures implemented by the PRC government and the further segmentation of the media market.

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 a readership of 76.6 million. In addition to its existing partners – 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 entered into new partnerships with three newspapers – Xiamen Daily, Xiamen Evening News and City Lifestyle Weekly (《城市生活信報》) and a magazine, TV Friends (《電視朋友》), in 2011. These additions further consolidated the foothold of ShiFang in the PRC and brought wider coverage for its clients.

The Group actively participated in the structural reform of the newspaper and magazine (excluding current and political affairs) sectors in the PRC, which aims at promoting the rapid development of the news publication industry in the PRC. In December 2011, the Group entered into a joint venture agreement with 遼寧百信傳媒有限公司 (Liaoning Baixin Media Company Limited). Under the agreement, the Group will hold 60% equity interest in 十方信達文化傳媒有限公司 (ShiFang XinDa Culture Media Company Limited), a joint venture of the two companies which engages in the operation of City Lifestyle Weekly, formerly known as Liaoning Broadcasting & TV Weekly, and TV Friends.

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% as compared with the corresponding period last year. Gross profit was RMB49.2 million, down by 18.7% as compared with the corresponding period last year, mainly due to the fierce market competition, strategic adjustment of its websites and the clients' reductions in online service budgets in view of the challenging financial environment.

During the period under review, the Group continued to enhance its digital publication platform and the Duk (www.duk.cn) database system, which offers comprehensive services and information to net surfers. On 8 December 2011, the new version of Duk was launched with a clear business model which focuses on expanding the variety of reading items 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 expanded 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 its effective marketing strategies, the Group endeavours to boost writers' reputations and maximize revenue for their work, thereby achieving win-win situation.

In May 2011, the Group established Yunnan HanDing Technology Co., Ltd. ("Yunnan HanDing"), a company engaged in new online media business. 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 information for 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.

Marketing, distribution management, consulting and printing services

Revenue of 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. It was mainly due to a surge in revenue from the marketing segment and the expansion of its printing services business. In addition to the new printing production line added by the printing company in Fuzhou in February 2011, the Group 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 of RMB12.7 million from printing services.

In addition, Fujian Fangke Network Technology Corporation Limited, which became a 51% owned subsidiary of the Group through a capital contribution and share subscription in April 2011, provides planning and marketing services for real estate projects, collects planning fees and commissions and operates FangKe Web. Revenue from the Group's real estate marketing services amounted to RMB35.0 million for the year. Furthermore, the Group entered into a co-operation agreement with the Management Committee of Wuhua Technology Park in order to expand its customer base. Under the agreement, the Group will conduct marketing, investment promotion and creative planning for advertisements, and production and publishing programs for property development at lot 13 of Wuhua Technology Park. This project is progressing as planned.

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. It was mainly because the Group voluntarily decided not to renew its agency contract with Dalian Television Station.

The Group renewed its co-operation with Nanning Television Station to primarily broadcast advertisements in the area of the automotive and related industries during advertising time slots on four channels of Nanning Television Station. The Group also planned and produced mini-programmes that focus on the automotive industry, during which advertisements were also aired. The Group is currently exploring other co-operation opportunities with other television stations in order to expand the income source of its television advertising business. In terms of radio advertising, the Group carried out 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), a wholly-owned subsidiary of China National Radio involved in the development of radio stations at the provincial, municipal and county levels for the purposes of expanding the Group's broadcasting media resources beyond the newspaper and online digital media.

Future prospects

ShiFang will endeavor to build up its comprehensive "ShiFang" advertising network to offer 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 promote the healthy development of the advertising industry, and that "advertising creation, advertising planning, advertising design and advertising production" was listed as one of the strategic industries targeted for development according to the Guidance Catalogue for Industry Structure Adjustment (2011 Version), and that it will enjoy privileges under the relevant national policies for the first time. Coupled with the provincial development plans for the advertising industry promulgated across the PRC, such these national policies will provide strong impetus and room for the growth for the advertising industry. Furthermore, the constant expansion of the Chinese economy and the consumption power of the people of China will certainly boost advertisers' investments and the growth of the industry. The Group believes that in long run, there will be enormous room for the development of the Chinese advertising industry and ShiFang.

Leveraging its brand equity, extensive geographical coverage, effective cross-media platform, innovative technology and integration abilities as well as its competitive integrated media services platform, ShiFang is fully equipped to offer its advertisers flexible and diversified advertising media and will continue to seize opportunities presented by the favourable environment and the continual development of the advertising industry. Nonetheless, ShiFang faces with various macro-economic issues such as the national reform of nonpolitical publications, the impact of the national macro-economic control measures on advertisers, particularly those in the property industry, and the consequent tight supply of capital in the market, and will stay alert so as respond to these challenges in a timely and effective manner.

Mr. Chen Zhi, Chairman of ShiFang said, “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, the Group will not only maintain its edge in the newspaper advertising business, but will also actively develop new technologies, such as online and mobile phone platforms, to facilitate its development on the Internet and in new media. Through the provision of better integrated media platforms and services with higher efficiency and value to advertisers, the Group aims to create sustainable growth for its shareholders.”

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About ShiFang

ShiFang Holding Limited is a leading media company which provides a wide range of integrated media services to advertisers. It is engaged in four major businesses, including (i) newspaper advertising; (ii) online services; (iii) distribution management, consulting and printing services; and (iv) television and radio advertising. As of 31 December 2010, the Group’s businesses have extended to over 16 second and third-tier cities across eight provinces in the PRC. The Group is set to offer one-stop solutions to advertisers and create value for our customers.

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