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 2012

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 28.7% from approximately RMB529.0 million for the year ended 31 December 2011 to approximately RMB377.2 million for the year ended 31 December 2012.

- Gross profit decreased by approximately 58.0% from approximately RMB266.3 million for the year ended 31 December 2011 to approximately RMB111.9 million for the year ended 31 December 2012.

- The Group recorded a loss for the year of RMB130.4 million for the year ended 31 December 2012, mainly attributable to the significant decline in revenue during the year.

- The Group recorded a basic loss per share of RMB0.1799 for the year ended 31 December 2012 as compared to a basic earning per share of RMB0.0727 for the same year in 2011.

- Gearing ratio, the proportion of the Group's total borrowings to total assets, improved from approximately 3.5% as at 31 December 2011 to approximately 3.4% as at 31 December 2012, primarily due to the repayment of borrowing during the year.

- The board of directors does not recommend the payment of any final dividend for the year ended 31 December 2012.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**") announces the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012 together with the comparative figures for the corresponding year of 2011.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2012 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 2012

	Note	**2012**	2011
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**60,045**	61,359
Investment properties		**–**	1,975
Intangible assets		**37,957**	52,307
Available-for-sale investment	*4*	**75,134**	–
Interest in associates	*5*	**60,162**	40,393
Prepayments, deposits and other receivables	*7*	**431,250**	447,500
		664,548	603,534
Current assets			
Inventories		**7,900**	8,245
Assets held for sale		**44,969**	29,336
Trade receivables – net	*6*	**206,478**	259,669
Prepayments, deposits and other receivables	*7*	**309,851**	294,649
Amounts due from related parties		**8,900**	4,829
Restricted cash		**12,890**	–
Cash and cash equivalents		**53,435**	214,377
		644,423	811,105
Total assets		**1,308,971**	1,414,639
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*10*	**72,687**	62,863
Share premium	*10*	**556,440**	530,900
Other reserves		**110,813**	104,017
Retained earnings		**278,891**	421,265
		1,018,831	1,119,045
Non-controlling interests		**43,174**	37,005
Total equity		**1,062,005**	1,156,050

	Note	2012 RMB'000	2011 RMB'000
LIABILITIES			
Non-current liability			
Borrowing		**–**	1,006
Amount due to a related party	*9*	**51,441**	68,600
Deferred income tax liabilities		**4,777**	7,397
		56,218	77,003
Current liabilities			
Trade payables	*8*	**5,644**	4,147
Other payables and accrued expenses		**96,598**	86,668
Current income tax liabilities		**42,908**	40,967
Borrowings		**44,539**	48,522
Amounts due to related parties		**1,059**	1,282
		190,748	181,586
Total liabilities		**246,966**	258,589
Total equity and liabilities		**1,308,971**	1,414,639
Net current assets		**453,675**	629,519
Total assets less current liabilities		**1,118,223**	1,233,053

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
Revenues	2	**377,242**	529,034
Cost of sales	12	**(265,367)**	(262,729)
Gross profit		**111,875**	266,305
Selling and marketing expenses	12	**(38,405)**	(38,049)
General and administrative expenses	12	**(207,910)**	(156,292)
Other gain	11	**12,060**	–
Other income	11	**9,468**	10,077
Operating (loss)/profit		**(112,912)**	82,041
Finance income		**1,518**	2,472
Finance costs		**(3,218)**	(1,687)
Finance (costs)/income – net		**(1,700)**	785
Share of profit/(loss) of associates		**501**	(307)
(Loss)/profit before income tax		**(114,111)**	82,519
Income tax expenses	13	**(16,261)**	(23,498)
(Loss)/profit for the year		**(130,372)**	59,021
Other comprehensive income			
– Revaluation surplus		**–**	–
Total comprehensive (loss)/income for the year		**(130,372)**	59,021
(Loss)/profit attributable to:			
– Equity holders of the Company		**(137,940)**	52,978
– Non-controlling interests		**7,568**	6,043
		(130,372)	59,021

	Note	2012 RMB'000	2011 RMB'000
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(137,940)**	52,978
– Non-controlling interests		**7,568**	6,043
		(130,372)	59,021
(Loss)/earnings per share for profit attributable to equity holders of the Company			
– Basic *(RMB per share)*	*14*	**(0.1799)**	0.0727
– Diluted *(RMB per share)*	*14*	**(0.1799)**	0.0727
Dividend	*15*	**–**	–

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 26 March 2013.

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 2011, 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 2012 and did not have a material impact on the Group's consolidated financial information:

Amendment to IFRS 7	Disclosures – transfers of financial assets
Amendment to IFRS 1	Severe hyperinflation and removal of fixed dates for first-time adoptors
Amendment to IAS 12	Deferred tax – recovery of underlying assets

The following amendments, new standards and interpretation which are not yet effective for the accounting year ended 31 December 2012 and which have not been adopted in these consolidated financial statements:

IFRSs (amendment)	Improvements to IFRSs 2011
IFRS 1 (amendment)	Government loans
IFRS 7 (amendment)	Disclosures – offsetting financial assets and financial liabilities
IFRS 7 (amendment)	Mandatory effective date of IFRS 9 and transition disclosures
IFRS 9	Financial instruments
Additions to IFRS 9	Financial instruments – financial liabilities
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 10, IFRS 11 and IFRS 12 (amendment)	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10, IFRS 12 and IAS 27 (2011) (amendment)	Investment entities
IFRS 13	Fair value measurements
IAS 1 (amendment)	Presentation of financial statements
IAS 19 (2011)	Employee benefits
IAS 27 (2011)	Separate financial statements
IAS 28 (2011)	Investments in associates and joint ventures
IAS 32 (amendment)	Financial instruments: Presentation – Offsetting financial assets and financial liabilities
IFRIC Int 20	Stripping costs in the production phase of a surface mine

The directors anticipate that the adoption of these new standards, amendments to standards and interpretation will not result in a significant impact on the results and financial position of the Group.

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 2012 annual report.

During the year ended 31 December 2012, the Group reported a loss for the year of RMB130,372,000 and net operating cash outflow of RMB61,335,000. The Group's cash and cash equivalents has also reduced by RMB160,942,000 to RMB53,435,000 as at 31 December 2012. In addition, the Group has borrowings of RMB44,539,000 that will be due within twelve months from 31 December 2012. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

In order to strengthen the Group's financial position, management has implemented measures to control operating costs and to tighten capital expenditure and investment policies to improve the Group's cash flows. The board of directors of the Company has reviewed the Group's cash flow projections prepared by management. The projections cover a period of twelve months from the date of approval of these consolidated financial statements. The projections make key assumptions with regards to the anticipated cash flows from the Group's operations and availability of future borrowing facilities, including the renewal of existing borrowings. Based on these cash flow projections, the Group will have sufficient financial resources in the coming twelve months to meet its financial obligations as and when they fall due. The Group's ability to achieve the projected cash flows depends on management's ability to successfully implement initiatives to improve the Group's cash flows, including measures to control and contain capital expenditure, investments in new businesses and corporate overheads, collect repayments of deposits for marketing and promotion projects according to agreed schedule, expedite receipt of cash from customers to settle trade receivables, and the successful renewal of existing borrowings upon their due dates.

The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible changes in the operational performance, believe that there will be sufficient financial resources available to the Group at least in the coming twelve months to meet its financial obligations as and when they fall due. Accordingly, the directors consider that it is appropriate to prepare the 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, television and radio advertising, and outdoor advertising services and activities. The amount of the Group's five largest customers in aggregate to the Group's total sales are RMB100,378,000 for the year ended 31 December 2012 (2011: RMB74,249,000).

	2012	2011
	RMB'000	*RMB'000*
Newspaper advertising	**256,399**	387,105
Online services	**11,089**	53,431
Marketing, distribution management, consulting and printing services	**107,608**	88,053
Television and radio advertising	**2,146**	445
	377,242	529,034

3 Segment information

The board of directors has been identified as the chief operating decision maker ("CODM"). Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The CODM assesses the performance of the Group's publishing and advertising businesses from both geographic and product perspectives. From a product perspective, management takes into consideration of the economic benefits of publishing and advertising businesses as a whole when executing a centralised assessment of the performance as the CODM considers they are mutually dependent and inseparable. Geographically, management considers the Group's 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 Available-for-sale investment

	2012	2011
	RMB'000	*RMB'000*
Unlisted shares, at fair value:		
At 1 January	**–**	–
Transfer from interest in an associate *(Note 5)*	**63,325**	–
Addition	**11,809**	–
At 31 December	**75,134**	–

On 5 June 2012, the Group disposed of 18.5% equity interest in Yunnan Handing Investment Co. Limited ("Yunnan Handing Investment") such that the Group's interest in Yunnan Handing Investment reduced from 33.5% to 15.0% and the Group ceased to have significant influence over Yunnan Handing Investment from the date of disposal. As a result, the Group derecognised the investment in associate and accounted for the remaining 15.0% equity interest in Yunnan Handing Investment as available-for-sale investment and measured at fair value. The Group recognised a gain in the amount of RMB11,636,000 from this partial disposal of interest in Yunnan Handing Investment during the year ended 31 December 2012 (Note 11).

In the second half year of 2012, Yunnan Handing Investment raised additional equity funding from its existing shareholders and the Group participated in the equity fund raising by contributing a further RMB11,809,000 into Yunnan Handing Investment.

As at 31 December 2012, the Group has less influence in Yunnan Handing Investment as its equity interest in it has been diluted to 11.7% as a result of additional equity contribution from other shareholders of Yunnan Handing Investment.

5 Interest in associates

	2012	2011
	RMB'000	*RMB'000*
At 1 January	**40,393**	–
Increase in equity interest in associates	**60,014**	33,500
Increase in quasi-equity loan to associates	**100,680**	7,200
Disposal of interest in an associate	**(78,101)**	–
Transfer to available-for-sale investment *(Note 4)*	**(63,325)**	–
Share of post-acquisition profit/(loss)	**501**	(307)
At 31 December	**60,162**	40,393

As at 31 December 2011, the Group's investment in an associate represented its 33.5% equity interest in Yunnan Handing Investment. Included in the cost of investment was a capital contribution of RMB33,193,000 and quasi-equity loan of RMB7,200,000, which was unsecured and interest-free.

Yunnan Handing Investment is a limited liability company established in the PRC that is principally engaged in the project investment and management. On 9 January 2012, the Group paid an additional RMB100,000,000 investment cost in Yunnan Handing Investment, which represented an additional quasi-equity loan.

On 5 June 2012, the Group disposed of an 18.5% interest in Yunnan Handing Investment, including the transferred of RMB59,200,000 quasi-equity loan, to another shareholder of Yunnan Handing Investment for an aggregated consideration of RMB78,101,000 and ceased to have significant influence on Yunnan Handing Investment.

As a result of the partial disposal, the Group's remaining 15.0% equity interest in Yunnan Handing Investment has been recognised as available-for-sale investment at fair value *(Note 4)* and a gain on partial disposal of Yunnan Handing Investment of RMB11,636,000 has been recorded by the Group *(Note 11)*.

On 10 August 2012, the Group has completed the acquisition of 34% the issued shares of Skybroad International Limited, an independent third party, at a consideration satisfied by HK$30,000,000 in cash, equivalent to RMB24,650,000 and HK$43,200,000 (HK$0.36 per share) by way of issue of the 120,000,000 consideration shares, equivalent to RMB35,364,000 *(Note 10c)*.

The Group also made a quasi-equity loan of RMB680,000 to Skybroad International Limited, which is unsecured and interest-free.

Skybroad International Limited is a limited liability company established in BVI that is principally engaged in information system and application research and development.

As at 31 December 2012, the Group's investment of RMB60,162,000 in an associate represented its 34% equity interest in Skybroad International Limited.

The Group's share of the results of its principal associates, and its aggregated assets (including goodwill) and liabilities, are as follows:

Name	Country of incorporation	Non-current assets	Current assets	Liabilities	Income	Profit/(loss)	% interest held
31 December 2011							
Yunnan Handing Investment	PRC	961	318,295	220,172	496	(916)	33.5
31 December 2012							
Yunnan Handing Investment *(Note)*	PRC	961	318,295	220,172	5,498	3,083	33.5
Skybroad International Limited	BVI	172,515	6,221	3,788	4,960	(1,565)	34.0

Note: The Group partially disposed of 18.5% of Yunnan Handing Investment on 5 June 2012 and the share of profit was arisen for the period prior to the disposal.

6 Trade receivables – net

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	**313,904**	334,752
Less: provision for impairment of trade receivables	**(107,426)**	(75,083)
Trade receivables – net	**206,478**	259,669

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

	2012	2011
	RMB'000	*RMB'000*
1 – 30 days	**25,519**	27,940
31 – 60 days	**14,604**	16,322
61 – 90 days	**9,090**	13,305
91– 365 days	**61,540**	142,202
Over 1 year	**203,151**	134,983
	313,904	334,752
Less: provision for impairment on trade receivables	**(107,426)**	(75,083)
Trade receivables – net	**206,478**	259,669

As at 31 December 2012, trade receivables of RMB104,160,000 (2011: RMB79,283,000) 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 consistent with the Group's practice.

As at 31 December 2012, trade receivables of RMB107,426,000 (2011: RMB75,083,000) were impaired and provided for. For the year ended 31 December 2012, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB36,044,000 (2011: RMB68,101,000) *(Note 12)*. The provision was made as management has determined that the ability of the debtors to repay the trade receivables has 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.

For the year ended 31 December 2012, trade receivables of RMB10,038,000 were directly written-off to the consolidated statement of comprehensive income (2011: RMB143,000). Management has tried reasonable efforts to collect the trade receivables from those debtors and has determined that the recoverability of these balances is not probable.

As at 31 December 2012, trade receivables of RMB35,866,000 (2011: RMB30,361,000) were impaired and provided for the customers where the Group had expected that its relationship with them would cease as a result of the termination of the Group's cooperation arrangement with Shenyang Evening News. Management has reassessed this provision during the current year and has determined that the provision remained appropriate as at 31 December 2012.

7 Prepayments, deposits and other receivables

	2012	2011
	RMB'000	*RMB'000*
Non current portion		
Prepayment for long term investments	**173,000**	173,000
Deposits to newspaper publishers	**92,000**	92,000
Deposits for marketing and promotion projects	**166,250**	182,500
Prepayments, deposits and other receivables – non current	**431,250**	447,500
Current portion		
Deposit for a marketing and promotion project	**33,750**	17,500
Prepayments for outdoor advertising projects	**19,326**	–
Prepayments	**173,682**	156,210
Deposits and other receivables	**83,093**	77,159
Deposit and prepayment to Shenyang Evening News	**–**	43,780
Prepayments, deposits and other receivables – current	**309,851**	294,649

As at 31 December 2012, 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 had 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 directors have reviewed the recoverability of such prepayment and deposit, including consideration of the probable outcome of the litigation between the Group and Shenyang Evening News, the expected time to obtain court decision, and the Group's ability to enforce court decision to collect the amount, have determined to make full provision for these amounts. The provision for the impairment of prepayment and deposit has been included in "General and Administrative expenses" in the consolidated statement of comprehensive income *(Note 12)*.

8 Trade payables

	2012	2011
	RMB'000	*RMB'000*
Trade payables	**5,644**	4,147

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 were as follows:

	2012	2011
	RMB'000	*RMB'000*
1 – 30 days	**991**	2,227
31 – 90 days	**2,675**	425
Over 90 days	**1,978**	1,495
	5,644	4,147

9 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 upon mutual agreement between the Group and the non-controlling shareholder.

10 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 2012 and 2011 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares at 31 December 2010 and 1 January 2011	732,165,121	73,216,512	63,860	540,311	604,171
Shares repurchased and cancelled *(Note (b))*	(12,223,000)	(1,222,300)	(997)	(9,411)	(10,408)
Ordinary shares at 31 December 2011 and 1 January 2012	719,942,121	71,994,212	62,863	530,900	593,763
Allotment of new ordinary shares of HK$0.1 each *(Note (c))*	120,000,000	12,000,000	9,824	25,540	35,364
Ordinary shares at 31 December 2012	839,942,121	83,994,212	72,687	556,440	629,127

(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., a significant shareholder of the Company.

(b) 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 approximately 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.

(c) The Group issued 120,000,000 new ordinary shares on 10 August 2012 (14.3% of the enlarged ordinary share capital of the Company) to a shareholder of Skybroad International Limited as part of the purchase consideration for 34% of its ordinary share capital. The ordinary shares issued have the same rights as the other shares in issue. The fair value of the shares issued amounted to HK$43,200,000 (HK$0.36 per share), equivalent to RMB35,364,000.

11 Other income and other gain

	2012	2011
	RMB'000	*RMB'000*
Other income:		
Sale of newsprint papers	**5,028**	473
Sale of scrap material	**1,097**	2,846
Government grants	**2,616**	5,078
Sundry income	**727**	1,680
	9,468	10,077
Other gain:		
Gain on disposal of a subsidiary	**424**	–
Gain on partial disposal of interest in Yunnan Handing Investment *(Note 4)*	**11,636**	–
	12,060	–

12 Expenses by nature

	2012	2011
	RMB'000	*RMB'000*
Auditors' remuneration	**5,379**	4,041
Cost of newspaper advertising		
– Media costs	**199,491**	208,380
Cost of marketing and promotion services	**11,865**	–
Cost of online services	**2,947**	1,997
Cost of television and radio advertising		
– Media costs	**4,190**	1,220
Cost of distribution management, consulting and printing services:		
– Raw material	**20,593**	14,416
– Media costs	**3,743**	4,503
– Other costs	**1,838**	2,038
Depreciation	**9,459**	8,646
Amortisation	**14,516**	9,609
Operating lease charges in respect of land and building	**5,963**	4,045
Net loss/(gain) on disposals of property, plant and equipment	**355**	(38)
Provision for impairment on trade receivables *(Note 6)*	**36,044**	68,101
Bad debts written off *(Note 6)*	**10,038**	143
Provision for impairment on prepayments and deposits *(Note 7)*	**43,780**	–
Net foreign exchange loss	**128**	7,144
Employee benefit expenses (including directors' emoluments)	**93,422**	70,700
Business tax	**12,435**	21,937

13 Income tax expenses

	2012	2011
	RMB'000	*RMB'000*
Current income tax		
Mainland China Enterprise Income Tax ("EIT")		
– Current tax	**18,054**	26,747
– Under/(over) provision in prior years	**827**	(1,503)
	18,881	25,244
Deferred income tax	**(2,620)**	(1,746)
	16,261	23,498

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 2012 and 2011.

Fuzhou HongXinTu Printing Co., Ltd. ("Fuzhou HongXinTu") 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 for year ended 31 December 2012 was 25% (2011: 12%). Shifang YaQi Culture Communication (Xiamen) Co., Ltd. ("Shifang YaQi") was entitled to the grandfathering treatment where the applicable EIT rate phased-in from 18% to 25% over a period of 5 years through 2012. The applicable tax rate of Shifang YaQi for year ended 31 December 2012 was 25% (2011: 24%). Based on the certificate dated 30 December 2008, Xiamen Duke Information Science & Technology Co., Ltd. ("Xiamen Duke") was granted the qualification as a software production enterprise, and was entitled to 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 for year ended 31 December 2012 was 15% (2011: 12%).

14 (Loss)/earnings per share

(a) Basic

Basic earnings per share for the years ended 31 December 2012 and 2011 is calculated by dividing the (loss)/profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
(Loss)/profit attributable to equity holders of the Company *(RMB'000)*	**(137,940)**	52,978
Weighted average number of shares in issue *(thousands)*	**766,827**	728,612
Basic (loss)/earnings per share *(RMB per share)*	**(0.1799)**	0.0727

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2012, the Company's share options issued under the pre-IPO share option was the sole category of dilutive potential ordinary shares where the effect of the assumed conversion of these potential ordinary shares outstanding during the year was anti-dilutive (2011: same).

15 Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Review

Looking back at 2012, the Group faced enormous challenges from both the general business environment and within the industry. In respect of the general business environment, the global economy continued to struggle through the impacts of the European debt crisis, the US fiscal cliff as well as the arrested growth of the Chinese economy, and did not stabilize until the end of the year. On the industry front, conventional media such as newspapers and magazines consistently faced attacks from new media. The three pillar industries which take up 60.0% of newspaper advertising spending – the commercial and services industry, real estate/construction industry and transportation industry – have all cut down their spending to different extents. The drop in macroeconomic indicators and the resulting impacts suffered by various industries also threatened the advertising market. According to the *Report on Newspaper and Magazine Advertising Spending in China,* published on the website of Meihua Information, which is a renowned marketing information provider in China, the newspaper and magazine advertising market in China as a whole contracted by 12.6% in 2012, marking the first year of contraction of this market in the past decade. Newspaper advertising spending posted a year-on-year decrease of 19.2%, while the magazine advertising sector worked tough to maintain a 7.9% in spending growth. Also, advertising resources were shrinking in spite of a clear trend of diversifying advertising spending among newspapers and magazines across China. Advertising space in newspapers and magazines dropped by 17.2% and 5.7%, respectively.

Despite the challenges mentioned above, statistics showed that the global economy has been picking up. In light of the fresh round of monetary quantitative easing policies being implemented, it is expected that the global economy will be able to bounce back. With the current favorable policy support offered by the State to the advertising industry which is expected to benefit the media and advertising sectors in China in the long run, the Company and its subsidiaries ("ShiFang Holding" or the "Group") will seek development opportunity in this changing market environment. In view of the booming development of new media, the Group will also adhere to its development strategies for expanding its new media operation by actively exploring the business of cross-platform mobile internet services through acquisitions.

Business Review

The Group is an integrated printed media service provider with one of the major cross-media advertising platforms in China. It has been dedicated to offering one-stop solutions to advertisers and creating value for its customers through four major businesses, including (i) newspaper advertising; (ii) online services; (iii) marketing, distribution management, consulting and printing services; and (iv) television and radio advertising.

For the year ended 31 December 2012 (the "Year"), the Group recorded revenue of approximately RMB377.2 million, representing a decrease of 28.7% as compared with 2011, due to the decrease in revenue generated from newspaper advertising and online services. Gross profit dropped by 58.0% as compared with last year to approximately RMB111.9 million, representing a gross profit margin of 29.7% (2011: 50.3%). Although the gross profit margin of the marketing, distribution management, consulting and printing services rose slightly, such increase was offset by the decrease in gross profit margin of the newspaper advertising and online services, causing the overall gross profit margin to drop.

During the Year, the Group's net loss after taxation was approximately RMB130.4 million (2011: net profit after taxation of RMB59.0 million). The loss was mainly attributable to the decline in advertising orders from real estate developers and other related sectors caused by the continual implementation of austerity measures on the real estate industry by the Chinese government, the termination of the advertising distribution agreement with *Shenyang Evening News* in July 2011 due to a contract dispute, the expiration of the exclusive real estate advertising agreement with *Dalian Daily*, and uncertainties about the recoverability of certain receivables that resulted in provisions for bad debts. The Group's operation as a whole was also adversely affected by difficult economic environments both at home and abroad. Nonetheless, the Group made the effort during the Year to sustain the operation of its newspaper media, seize the opportunity to develop its new media operation, and actively seek new cooperation partners.

Customer base

With the help of its long-established and close cooperation partners, the Group maintained a stable and broad customer base of advertisers from various business sectors such as consumer products, real estate, 3C (computer, communication and consumer products), telecommunications, home appliance retail, automotive, home construction materials, healthcare and medical, education, and classified advertisements. Meanwhile, the Group carried on its effort to explore new customers in order to further expand its customer base. In addition to newspaper advertising, which covers a wider readership, the Group also actively sought to assist its clients in enhancing their marketing in a comprehensive manner with emerging media channels such as the Internet and mobile network.

Newspaper advertising

Suffering from the weak global economy and decelerated economic growth in China, the Chinese newspaper and magazine advertising market contracted in 2012. The newspaper advertising sector was particularly impacted, resulting in declines in both advertising orders and resources. At the same time, the Group's revenue from advertisements for the real estate, commercial and services sectors recorded a decline as the Chinese government continued to implement austerity measures on the real estate industry. Coupled with the termination of the advertising distribution agreement with *Shenyang Evening News* in 2011 due to a contract dispute, the expiration of the exclusive real estate advertising agreement with *Dalian Daily* and the limited revenue from newly established newspapers still in the investment stage, such factors have reduced the Group's revenue and gross profit from newspaper advertising by 33.8% and 69.3% as compared with last year to RMB256.4 million and RMB51.0 million, respectively. In particular, newspaper advertising turnover generated from comprehensive collaborative media partners amounted to RMB217.4 million, accounting for 84.8% of the total revenue of the newspaper advertising business, while newspaper advertising revenue from partial collaborative contracts amounted to RMB39.0 million, or 15.2% of the total revenue of the newspaper advertising business.

During the Year, the newspaper advertising business remained as one of the core businesses of the Group and accounted for approximately 68.0% of the Group's revenue. However, the continual implementation of austerity measures on the real estate industry by the Chinese government has resulted in the dwindling financial resources in the real estate and other related industries. Accordingly, these advertisers reduced their marketing budgets and diverted part of them from newspapers to other media such as magazines, radio and the internet, which in turn exerted great pressure on the Group's newspaper advertising business. In addition, affected by the sudden adversarial Sino-Japanese relation caused by the Diaoyu Islands dispute, Sino-Japanese trade was severely hit, and advertising orders from Japanese automotive manufacturers dropped to a low in the second half of 2012, which also had a negative impact on the Group's newspaper advertising business.

As of 31 December 2012, the Group had 9 media partners in over 7 second– and third-tier cities across six provinces in China, covering a very large population. Its cooperation partners included *Southeast Express*, *Lifestyle Express*, *Modern Life Daily*, *Southeast Business*, *Central Guizhou Morning Post*, *Xiamen Daily and Xiamen Evening News*. During the Year, the Group has started to cooperate with two additional media partners, including one newspaper, *City Lifestyle Weekly*, and a magazine, *TV Friends*. The new partnerships further complemented the extended foothold of ShiFang Holding in China. These newspapers or magazines have granted the Group comprehensive or partial cooperation rights to sell their advertising space so that the Group can integrate advertising with marketing in order to provide customers with greater convenience and all-round promotion services.

Capitalizing on the general trend of structural reform of the non-political publication sector in China, the Group has cooperated with Liaoning Baixin Media Company Limited since December 2011 to engage in the operation of *City Lifestyle Weekly* (formerly known as *Liaoning Broadcasting & TV Weekly*) and *TV Friends* through ShiFang XinDa Culture Media Company Limited, a non-wholly owned subsidiary of the Group. Such move has further consolidated the Group's market position as an integrated printed media service provider.

On the other hand, Shenyang Media Corporation unilaterally terminated its cooperation contract with the Group on 26 July 2011. This led to the Group's loss of revenue from *Shenyang Evening News* for the Year and had an impact on the Group's business. Legal proceedings between the Group and Shenyang Media Corporation are currently in progress. On 31 December 2012, the Group received a civil judgment issued by the Higher People's Court of Liaoning Province, in which the Higher People's Court of Liaoning Province concluded that the judgment of first instance was unclear in terms of fact, its evidence was not sufficient and its procedures were illegal. According to clauses 1 (3) and (4) of Article 153 of the *Civil Procedure Law of the People's Republic of China*, it was ruled that: (1) *the Civil Judgment of Shenyang Intermediate People's Court ((2011) Shen Zhong Min San Chu Zi No. 74)* shall be dismissed; and that (2) the case shall be remanded to Shenyang Intermediate People's Court for retrial. The Group is currently waiting for further instructions from the courts and will notify the shareholders of any progress in the litigations in a timely manner. As advised by the PRC legal counsel, the management believes that it is not probable that this litigation would result in a material outflow of economic benefits from the Group.

Online services

During the Year, the Group's online services and digital media businesses faced a challenging operating environment. The uncertainty factors in the domestic and global economic environments made customers reduce their budgets for non-portal websites while industry competition intensified. The Group also made adjustments and revisions to its website business model, transforming it from a sharing platform for text files to a provider of copyright publications and licensed works. For instance, it reformed its profit-sharing system with licensors through reading subscriptions. However, the Group reduced advertising space on free reading pages so as to enhance the reading experience of its subscribers. On the other hand, the number of free reading members has dropped, causing the Group to lose part of its market share. As a result of these unfavorable factors, revenue from this business amounted to RMB11.1 million, representing a year-on-year decrease of 79.2%, and accounting for 2.9% of the Group's total revenue. Gross profit was RMB7.4 million, representing a decrease of 84.2% year-on-year.

For its online services, the Group has established an Internet media platform with Duk, DNKB, Life News, www.qbnews.cn and Fangke Web and developed unified exclusive partnerships with its newspaper partners in order to publish newspapers, magazines, novels and advertisements electronically. Being one of the largest digital media publishing platforms in China, Duk is the first private enterprise in Fujian Province engaging in internet new media which has obtained the Internet Publication Permit from General Administration of Press and Publication of the PRC. It has online publishing right agreements with over 300 publishers, 860 magazine publishing houses and 5,000 magazines as well as digital publishing cooperation with 17 municipal daily, evening and commercial newspapers. Its library of online novels contains over 130,000 volumes and its accumulated catalogue of electronic periodicals, electronic magazines and digital newspapers has reached over 260 million volumes or pieces. Leveraging this platform, the Group optimized its digital publications and analyzes Duk's database in order to provide quality services and information to users.

During the Year, the Group went on to launch new versions of Duk and promoted three business models. The first model offers professional copyright agency services to writers (C2B). Building on its extensive readership base which forms a platform for copyright, it has a clear mission to fuse network and traditional literature by aggressively expanding its library dominated by original novels. It also acts as the best and most unrestricted writing platform for original works (B2C). 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. With effective marketing strategies, the Group endeavors to boost its writers' fame and maximize revenues from their works, thereby achieving a win-win situation. In terms of the copyright agency business (C2B), Duk actively integrates marketing and the society to promote its contracted writers and their works through TV variety shows, newspapers, weibo, discussion forum and portal websites, and has commenced cooperation with the China Telecom reading portal.

The Group also operates Fangke Web (www.fangke.cc) through Fujian Fangke Network Technology Corporation Limited, its non-wholly owned subsidiary. Fangke Web is an advocate and forerunner of a new and effective business marketing model for the real estate industry. It has always focused on resource integration, brand-building and research and development of electronic business platforms for the real estate sector. It offers comprehensive industry information, integrated marketing services and business applications to players in the real estate sector as well as homebuyers. After years of operation, Fangke Web has established a professional team with strong capability in product research and development, extensive experience, abundant resources and marketing expertise devoted to the development of new business software and unique service platforms with proprietary technologies for the real estate industry. Major products include portals to real estate information, online property sales systems, online stores and branch management software for property agency companies, and project management software for property sales.

According to the data on the Chinese Internet advertising market in 2012 released by iResearch, the aggregate value of the Chinese Internet advertising market for the Year amounted to RMB75.3 billion, representing growth of 46.8% as compared with last year. The market has entered a stage of stable growth, reflecting the market acceptance of new media. Internet advertisements were mainly placed on portals, search engines, electronic business platforms and video streaming websites. During the Year, with sustained growth comparable to the market as a whole, search engines won a slightly larger market share while electronic business platforms and independent video streaming websites went on to capture additional market shares with their relatively higher rates of growth. The increasing popularity of mobile devices and tablet computers also proves the huge potential for the growth of new mobile media advertising.

Given the factors mentioned above, the Group established Yunnan HanDing Technology Co., Ltd. ("Yunnan HanDing") in 2011 in order to engage in new online media business. It also operates various local online platforms such as Life News (www.shxb.net) and Wan Wei Life (iwanwei.com) in Kunming in conjunction with Lifestyle Express, a major media group in Kunming, Yunnan. During the Year, Yunnan HanDing launched mobile applications for iOS and Android platforms such as Wan Wei Yunnan, a mobile travel information application, and Zhui Ai Magazine, a mobile reading application.

In order to grasp the opportunities arising from the booming development of advertising on new media such as mobile devices and the Internet, the Group completed the acquisition of 34.0% of issued shares in Skybroad International Limited ("Skybroad"), a company which developed the voice over Internet protocol (VoIP) based communication software known as Cloud Call ("Cloud Call/Cloud Call App") that operates on mobile and personal computer platforms, in August 2012. The main function of the system is to allow users, wherever they are, to make calls to China and Hong Kong landlines or mobile telephone numbers via 3G, Wi-Fi or Internet networks without paying roaming or long distance telephone charges. In order to create market awareness and momentum of market penetration, Cloud Call was available for download free of charge at the Apple app store and the Android market during its trial period. Advertising income is expected to be generated from putting advertisements in ring-tones and on screen displays when users use the application to make telephone calls. Skybroad organized a soft launch of Cloud Call App in April 2012 and provided a free trial period to advertisers. During the trial period, the application received positive feedback from users. At the time being, Skybroad has fully launched the Cloud Call business. As at 31 December 2012, Cloud Call had over 1 million active users and contributed some revenue to the Group. The increase in its members was satisfactory. This business is developing smoothly and has laid a sound foundation for the Group to capture the promising potential of this market in the future.

Marketing, distribution management, consulting and printing services

Riding on the gigantic growth in the Group's marketing revenues and the growth in its distribution management, consulting and printing services income, revenue from the Group's marketing, distribution management, consulting and printing services for the Year surged by 22.1% to RMB107.6 million, accounting for 28.5% of the Group's total revenue.

Under the exclusive cooperation contracts with some of its newspaper partners, the Group continued to sell their advertising space and provide integrated services to its customers. The Group also offers certain ancillary services, including printing, distribution management, consulting and marketing advice. Same as always, the Group is committed to strengthening strategic and close cooperative relationships with its newspaper partners. By helping publications maintain their excellent printing quality, the revenue generated from this segment has increased steadily. For the distribution and management business, the Group carried on its comprehensive services to *Southeast Express and Lifestyle Express*. In respect of printing services, the Group's three factories located in Fuzhou, Kunming and Guizhou operated smoothly as always and printed *Southeast Express*, *Lifestyle Express and Central Guizhou Morning Post*, respectively. In addition to the printing of *Southeast Express*, the Fuzhou factory will also continue to print *China Securities Journal* and *Shanghai Securities News*. With stringent management of publications' printing quality, the Group is able to ensure high quality in the printing of its advertisements, making them more attractive to readers, as well as to strengthen the strategic and close cooperative relationships with its media partners.

Leveraging its own resources and the established technologies developed by Fangke Web, the Group also provided professional and comprehensive property marketing planning, solutions and support, thereby consolidating its cooperation with its clients. During the Year, the Group realized revenue of RMB56.2 million from planning fees and commission income of planning and marketing services provided to real estate projects.

ShiFang Healthcare Technology Corporation Limited, a subsidiary of the Group, is committed to the provision of all-round medical and healthcare information and the development of the most unique medical and healthcare information platform across the country by setting up an integrated information service platform comprising websites, call center platforms and appointment and registration systems. On the other hand, through strategic cooperation with experts from public hospitals and serving the end market with various products such as healthcare information advisory, consultancy services and newspaper health editions, the Group has developed interaction between consumers, including experts, readers and members. During the Year, the Group strengthened the promotion of this business by continuing to collaborate with 10 public hospitals in Fuzhou to disseminate comprehensive medical and healthcare information.

Furthermore, Beijing BaiChuanDuKe Science and Technology Co., Ltd., a wholly-owned subsidiary of the Group, has entered into an exclusive license agreement with Beijing Wangxin Gaoke Information Technology Co., Ltd. on 28 June 2012 in respect of the cooperation on Chinaunicom Ezhuan RingTone in China for a term of 10 years. This cooperation project aims mainly at promoting the brand image and market recognition of Duk and further expanding and enlarging the coverage of its advertising services.

Television and radio advertising

In 2012, revenue from the Group's television and radio advertising amounted to RMB2.1 million, representing a significant year-on-year increase of 382.2%, accounting for 0.6% of the Group's total revenue.

The Group's television advertising business mainly operates as an extended auxiliary service to customers of the newspaper media business. With its amicable cooperation with Nanning Television Station in Guangxi Province, the Group proceeded to broadcast advertisements in respect of home-improvement and building materials industries in advertising time slots on four channels of Nanning Television Station. The Group also actively explores cooperation opportunities with other television stations in order to expand its television advertising business. The Group will strive to form full or partial collaborative partnerships with television stations which are similar to its relationships with newspaper media so as to further expand the sources of income of the Group's television advertising business and to eventually achieve the goal of establishing itself as a major television media operator and a media resource provider.

In terms of radio advertising, during the Year, the Group signed a five-year agreement regarding a collaborative project with YangGuang DuShi (Beijing) Culture and Media Co. Ltd ("YangGuang DuShi"), a wholly-owned subsidiary of China National Radio, in relation to the development of licensed radio stations. Through the project, the Group will enjoy access to the rich historical database and copyright resources of China National Radio, which it will apply to multimedia development. In addition, the Group will be able to sell its custom-made radio programs to various radio stations at the provincial, municipal and county levels through this project, which can also be applied to the Group's network business. However, YangGuang DuShi failed to provide the Group with access to the corresponding program library in a timely manner, forcing the relevant business development fail to be carried out in a smooth manner. In this respect, the Group has engaged a PRC legal counsel to apply to the China Economic and Trade Arbitration Commission for arbitration regarding the contract.

FINANCIAL REVIEW

Revenue

Total revenue decreased significantly by 28.7% from RMB529.0 million for the year ended 31 December 2011 to RMB377.2 million for the year ended 31 December 2012, primarily because the increase in revenue from marketing, distribution management, consulting and printing services from RMB88.1 million for the year ended 31 December 2011 to RMB107.6 million for the year ended 31 December 2012 was offset by the decrease in the revenue from newspaper advertising from RMB387.1 million for the year ended 31 December 2011 to RMB256.4 million for the year ended 31 December 2012 and the decrease in revenue from online services from RMB53.4 million for the year ended 31 December 2011 to RMB11.1 million for the year ended 31 December 2012.

The decrease in revenue from newspaper advertising from RMB387.1 million for the year ended 31 December 2011 to RMB256.4 million for the year ended 31 December 2012 was mainly because (a) the PRC government continued its adjustment measures on the real estate industry which results in the reduction of advertising orders from real estate developers and other related industries, consequently the annual business receipts of the Company decreased as compared to 2011; (b) the advertising distribution agreement entered into with *Shenyang Evening News* was terminated in July 2011 due to contractual disputes between the parties; and (c) the expiry of the exclusive real estate advertising agreement entered into with *Dalian Daily*.

Gross profit and gross profit margin

Gross profit decreased by 58.0% from RMB266.3 million for the year ended 31 December 2011 to RMB111.9 million for the year ended 31 December 2012. Gross profit margin decreased from 50.3% for 2011 to 29.7% for 2012, which was primarily attributable to the unsatisfactory performance of newspaper advertising and online services.

Other income

Other income decreased by 5.0% from RMB10.0 million for the year ended 31 December 2011 to RMB9.5 million for the year ended 31 December 2012, primarily due to the combined effect of the increase in the sales of newsprint paper and the decrease in the income from government subsidies.

Other gain

Other gain amounted to RMB11.6 million was recorded for the partial disposal of interest in Yunnan Handing Investment during the year ended 31 December 2012.

Selling and marketing expenses

Selling and marketing expenses increased by 1.1% from RMB38.0 million for the year ended 31 December 2011 to RMB38.4 million for the year ended 31 December 2012, mainly because of the increase in marketing expenses, which was in line with the growth in marketing management income during the period.

General and administrative expenses

General and administrative expenses increased by 33.0% from RMB156.3 million for the year ended 31 December 2011 to RMB207.9 million for the year ended 31 December 2012, mainly because of the increase in staff costs of RMB12.8 million, the increase in amortisation of intangible assets of RMB4.9 million, and increase in the provision for impairment of trade receivables, prepayments, and deposits of RMB11.7 million.

(Loss)/profit before income tax

As a result of the foregoing factors, loss before income tax for the year ended 31 December 2012 was RMB114.1 million, representing a decrease of 238.3% as compared to profit before income tax of RMB82.5 million for the year ended 31 December 2011.

Income tax expenses

Income tax expenses decreased by 30.6% from RMB23.5 million for the year ended 31 December 2011 to RMB16.3 million for the year ended 31 December 2012 as a result of the decrease in taxable income for the year.

Loss for the year

The Group recorded a loss for the year of RMB130.4 million for the year ended 31 December 2012, mainly attributable to the significant decline in revenue during the year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests increased from RMB6.0 million for the year ended 31 December 2011 to RMB7.6 million for the year ended 31 December 2012.

(Loss)/profit attributable to equity holders of the Company

As a result of the foregoing, profit attributable to equity holders of the Company decreased from RMB53.0 million for the year ended 31 December 2011 to a loss of RMB137.9 million for the year ended 31 December 2012.

Liquidity and capital resources

The Group's management monitors current and expected liquidity requirements regularly to ensure the Group has sufficient working capital to satisfy its future obligations as and when they fall due. During the year ended 31 December 2012, the Group recorded a loss of RMB130.4 million and a net cash outflow of RMB160.9 million. The management closely monitors the Group's liquidity position and is implementing measures to improve the Group's cash flows. The management believes there is no significant liquidity risk as the Group has sufficient cash and cash equivalents and borrowings facilities to fund its operations.

	Year ended 31 December	
	2012	2011
	RMB'000	*RMB'000*
Net cash (used in)/generated from operating activities	**(61,355)**	4,458
Net cash used in investing activities	**(78,572)**	(382,927)
Net cash (used in)/generated from financing activities	**(21,015)**	46,845
Net decrease in cash and cash equivalents	**(160,942)**	(331,624)
Cash and cash equivalents at the beginning of the year	**214,377**	546,001
Cash and cash equivalents at the end of the year	**53,435**	214,377

Cash flow used in operating activities

For the year ended 31 December 2012, net cash used in operating activities amounted to RMB61.4 million, primarily attributable to the loss for the year amounted to RMB130.4 million.

Cash flow used in investing activities

For the year ended 31 December 2012, net cash used in investing activities amounted to RMB78.6 million, resulted primarily from payment for investment in an associates of RMB125.3 million, deposit paid to new cooperative media partners of RMB19.3 million, deposit paid for exclusive marketing and promotion projects of RMB17.5 million, net cash outflow from the disposal of a subsidiary of RMB5.2 million, payments for the additions of plant and equipment such as printing equipment and office fixtures of RMB6.6 million, offset by recovery of cash deposits as collateral of RMB17.5 million and cash receipt for the partial disposal of interest in an associate of RMB77.9 million.

Cash flow used in financing activities

For the year ended 31 December 2012, net cash used in financing activities amounted to RMB21.0 million, primarily attributable to repayments of loans advanced from a related party of RMB17.2 million and net repayments of bank borrowings and other loans of RMB5.0 million, offset by the capital contribution from non-controlling interest shareholders of RMB1.1 million.

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 RMB18.8 million and RMB6.6 million for the years ended 31 December 2011 and 31 December 2012, 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	
	2012	2011
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**25,519**	27,940
31 – 60 days	**14,604**	16,322
61 – 90 days	**9,090**	13,305
91 – 365 days	**61,540**	142,202
Over 1 year	**203,151**	134,983
Total	**313,904**	334,752
Less: provision for impairment of trade receivables	**(107,426)**	(75,083)
Total trade receivables – net	**206,478**	259,669

Trade receivables decreased by 20.5% from RMB259.7 million as at 31 December 2011 to RMB206.5 million as at 31 December 2012. Such decrease was mainly attributable to the reduced income from newspaper advertising and online services businesses. Trade receivables turnover days extended from 177 days for the year ended 31 December 2011 to 226 days for the year ended 31 December 2012, primarily due to the continued implementation of austerity measures on the real estate industry by the PRC government that resulted in the reduction in spending on real estate advertising, which in turn led to tighter market liquidity and longer payment time from customers.

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	
	2012	2011
	RMB'000	*RMB'000*
Properties held for sale	**44,969**	29,336

The Group recognises revenue from advertising services upon obtaining the contractual rights to sell the relevant properties. Such revenue recognised from the relevant real estate customers were RMB5.1 million and RMB17.0 million for the years ended 31 December 2011 and 31 December 2012, respectively, which accounted for 1.0% and 4.5% of total revenue, respectively. For the same periods, the amount of proceeds received from the sales of such properties was RMB5.6 million and RMB1.4 million, respectively.

Trade payables

	As at 31 December	
	2012	2011
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**991**	2,227
31 – 90 days	**2,675**	425
Over 90 days	**1,978**	1,495
Total	**5,644**	4,147

Trade payables increased by 36.6% from RMB4.1 million as at 31 December 2011 to RMB5.6 million as at 31 December 2012. Trade payables turnover days increased from 6 days for the year ended 31 December 2011 to 7 days for the year ended 31 December 2012, 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	
	2012	2011
Borrowings	***RMB'000***	*RMB'000*
Short-term bank loans, secured	**44,000**	47,000
Other loan	**539**	2,528
Loans from related parties	**–**	157
Total	**44,539**	49,685

Total borrowings amounted to RMB49.7 million and RMB44.5 million as at 31 December 2011 and 31 December 2012, respectively.

Loans included borrowings secured by equipment and buildings with carrying values of RMB47.0 million and RMB44.0 million for the years ended 31 December 2011 and 31 December 2012, respectively.

Gearing ratio decreased from 3.5% as at 31 December 2011 to 3.4% as at 31 December 2012 primarily due to the repayment of borrowing during the year.

Commitments

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

	As at 31 December	
	2012	2011
	RMB'000	*RMB'000*
Not later than 1 year	**191,418**	252,750
Later than 1 year and not later than 5 years	**707,000**	623,250
Later than 5 years	**1,890,000**	1,992,750
	2,788,418	2,868,750

Contingent liability

The Group follows the guidance of IAS37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when should contingent liabilities be recognised, which requires significant judgement.

A contingent liability will be disclosed when a possible obligation has arisen, but its existence has to be confirmed by future events outside the Group's control, or when it is not possible to calculate the amount. Realisation of any contingent liabilities not currently recognised or disclosed could have a material impact on the Group's financial position.

The Group reviews significant outstanding litigations in order to assess the need for provisions. Among the factors considered are the nature of the litigation, legal processes and potential level of damages, the opinions and views of the legal counsel, and the management's intentions to respond to the litigations. To the extent the estimates and judgments do not reflect the actual outcome, this could materially affect the results for the period and the financial position.

(a) Lawsuits between the Group and Shenyang Media Corporation

On 26 July 2011, Shenyang Media Corporation unilaterally terminated the Comprehensive Cooperation Contract with the Group.

The Group received a summons issued by the Shenyang Intermediate People's Court in Liaoning Province (the "Shenyang Intermediate People's Court") on 25 October 2011, where Shenyang Media Corporation claimed the Group for, among others, a total sum of RMB17,328,767 being the outstanding advertising fees payable by the Group to Shenyang Media Corporation (the "Case 1").

On 22 December 2011, the Group filed summons of claim to the Higher People's Court of Liaoning Province (the "Higher People's Court") against Shenyang Daily Agency and Shenyang Media Corporation, where the Group claimed Shenyang Daily Agency and Shenyang Media Corporation for, among others, a total sum of RMB105,579,352, being the outstanding advertising fees payable by Shenyang Daily Agency and Shenyang Media Corporation (the "Case 2") to the Group.

On 8 March 2012, the Group received a civil judgment issued by the Higher People's Court in relation to Case 2, pursuant to which the Higher People's Court decided to refer the case back to the Shenyang Intermediate People's Court. As advised by the PRC legal counsel, the Group has lodged an appeal to the Supreme People's Court of the PRC (the "Supreme People's Court') on 13 March 2012 to request the Supreme People's Court to overrule the Higher People's Court's decision.

On 30 August 2012, the Group received a judgment of first instance awarded by the Shenyang Intermediate People's Court in relation to Case 1, in which the Group was ordered to pay Shenyang Media Corporation RMB17,250,398 as advertising fees together with court fees within 10 days after the judgment becomes effective. On 6 September 2012, the Group has lodged an appeal to the Higher People's Court to seek to revoke the judgment of first instance in due course.

On 27 December 2012, the Higher People's Court of Liaoning Province ordered that the judgment of first instance on 30 August 2012 should be dismissed and a retrial of Case 1 at the Shenyang Intermediate People's Court was ordered. The management believes that it is not probable that this litigation would result in a material outflow of economic benefits from the Group.

Nevertheless, the management takes into consideration the economic reasons relating to Shenyang Daily Agency's and Shenyang Media Corporation's financial and liquidity difficulties and has prudently made provision for loss or provision for impairment of the RMB43,780,000 deposit and prepayment paid to Shenyang Media Corporation as at 31 December 2012.

(b) Enforcement order issued by Yueyang City Intermediate People's Court ("Yueyang Intermediate People's Court") against the Group.

On 4 June 2012, Yueyanglin Paper Co., Ltd. has filed a civil claim against Southeast Express and Lifestyle Express in respect of an outstanding payment of RMB31,859,018 relating to certain sales made in prior years.

On 10 July 2012, Yueyang Intermediate People's Court has made a civil judgement that Southeast Express and Lifestyle Express shall pay Yueyanglin Paper Co., Ltd. the aforesaid amount.

On 26 October 2012, Yueyang Intermediate People's Court issued an enforcement order which stated that there were intentional transfer of assets, such as connected transactions or confusion of properties, between Southeast Express, Lifestyle Express, and the Group in order to against the civil judgment and hence, Yueyang Intermediate People's Court ordered to freeze the cash and assets of the Company and its wholly owned subsidiaries, including Fuzhou AoHai Advertisement Co., Ltd. and Kunming AoHai Advertising Co.,Ltd. up to a maximum amount of RMB31,859,018 under the enforcement letter.

As advised by the PRC legal counsel, on 8 November 2012, the Group has submitted an objection application to the Higher People's Court of Hunan Province with a copy sent to Higher People's Court of Hunan Province to object and rescind the enforcement order.

As at 31 December 2012, RMB12,890,171 of cash deposits in four bank accounts in the PRC of the Group have been temporarily frozen by Yueyang Intermediate People's Court under the enforcement order.

On 30 January 2013, the Group has received the enforcement judgment issued by the Higher People's Court of Hunan Province to revoke the enforcement order issued by Yueyang Intermediate People's Court on 26 October 2012. Yueyanglin Paper Co., Ltd. has subsequently lodged an appeal to the Higher People's Court of Hunan Province to request for overruling the judgment. According to the advice from the Group's PRC legal counsel, to the best knowledge, information and belief of the directors, management believes that it is not probable that this enforcement letter would result in a the material outflow of economic benefits from the Group. Accordingly, no provision for loss of the RMB12,890,171 cash deposit nor any amount in the context of the outstanding payment the enforcement letter issued by Yueyang Intermediate People's Court has been made as at 31 December 2012.

Human resources

As at 31 December 2012, the Group had approximately 1,170 full-time employees. Total staff costs including directors' remuneration for the year ended 31 December 2012 was approximately RMB93.4 million (2011: approximately RMB70.7 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.

Prospects

Looking forward to 2013, the Group believes that the promising long-term growth potential of the advertising industry will be sustained under the 12th Five-Year Plan of China, which clearly stipulates that China will continue to promote the healthy development of the advertising industry. "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). Impetus will also come from the revived growth of China's economy as well as the rise in the people's consumption power.

Given the continued implementation of austerity measures by the Chinese government on the real estate market, which indirectly affected clients' advertising spending, the Group will proactively expand its customer base to other key consumer goods sectors. Furthermore, the Group also plans to seize opportunities in the new media market and to accelerate the growth of its Internet and new media operations while reinforcing its newspaper advertising business, thereby laying a solid foundation on which the Group will further develop its businesses. On the other hand, the Group will proceed to enhance its cost controls and strive to improve its operating efficiency. Capitalizing on its brand power, multiregional coverage and potent multimedia platforms, the Group will continue to consolidate its existing clients, explore new ones, integrate innovative technologies and establish competitive integrated multimedia service platforms in order to create more value for its shareholders.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2013 to 22 May 2013, 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 no later than 4:30 p.m. on 16 May 2013.

CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles and complied with the former and revised Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance since the date of the listing of the shares of the Company on the Main Board of the Stock Exchange on 3 December 2010 (the "**Listing Date**") , which shall also be revised from time to time in accordance with the Listing Rules. Saved as disclosed below, the Board considers the Company has complied with the code provisions as set out in the CG Code.

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.

CODE PROVISION E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting. Mr. Chen Zhi, who acts as the chairman of the Company, was not able to attend the annual general meeting of the Company held on 22 May 2012 due to other business commitments. Instead, Mr. Yu Shi Quan, the executive director of the Company was appointed as the chairman of the Company during the annual general meeting.

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 2012.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 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 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 consolidated financial statements for the year ended 31 December 2012.

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 2012, RMB302.6 million have been applied in the manner as described in the prospectus and RMB66.3 million remain unused.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the year ended 31 December 2012. Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed shares of the Company during the year ended 31 December 2012.

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 2012 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, 26 March 2013

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.