SHIFANG HOLDING LIMITED
十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by 15.7% from RMB170.5 million for the six months ended 30 June 2012 to RMB143.8 million for the six months ended 30 June 2013.

- Gross profit decreased by 63.2% from RMB63.4 million for the six months ended 30 June 2012 to RMB23.3 million for the six months ended 30 June 2013.

- The Group recorded a loss for the period of RMB55.8 million for the six months ended 30 June 2013, mainly attributable to the significant decline in revenue during the period.

- The Group recorded a basic loss per share of RMB0.0724 for the six months ended 30 June 2013 as compared to a basic loss per share of RMB0.0665 for the same period in 2012.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013.

The board of directors (the "Board") of ShiFang Holding Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 together with the comparative figures for the corresponding period of 2012.

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

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2013

	Note	**30 June 2013** *RMB'000* **Unaudited**	31 December 2012 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**57,552**	60,045
Intangible assets		**26,868**	37,957
Available-for-sale investment	*5*	**–**	75,134
Interest in associates	*6*	**60,459**	60,162
Prepayments and deposits	*7*	**327,225**	431,250
		472,104	664,548
Current assets			
Inventories		**7,805**	7,900
Assets held for sale		**42,182**	44,969
Trade receivables – net	*4*	**155,049**	206,478
Prepayments, deposits and other receivables	*7*	**410,456**	309,851
Amounts due from related parties		**9,681**	8,900
Restricted cash		**22,274**	12,890
Cash and cash equivalents		**92,866**	53,435
		740,313	644,423
Total assets		**1,212,417**	1,308,971
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**72,687**	72,687
Share premium		**556,440**	556,440
Other reserves		**115,336**	110,813
Retained earnings		**214,092**	278,891
		958,555	1,018,831
Non-controlling interests		**49,253**	43,174
Total equity		**1,007,808**	1,062,005

	Note	**30 June 2013** *RMB'000* **Unaudited**	31 December 2012 *RMB'000* Audited
LIABILITIES			
Non-current liabilities			
Amount due to a related party	*9*	**12,136**	51,441
Deferred income tax liabilities		**3,468**	4,777
		15,604	56,218
Current liabilities			
Trade payables	*8*	**7,951**	5,644
Other payables and accrued expenses		**87,421**	96,598
Current income tax liabilities		**48,217**	42,908
Borrowings		**44,016**	44,539
Amounts due to related parties		**1,400**	1,059
		189,005	190,748
Total liabilities		**204,609**	246,966
Total equity and liabilities		**1,212,417**	1,308,971
Net current assets		**551,308**	453,675
Total assets less current liabilities		**1,023,412**	1,118,223

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**143,792**	170,470
Cost of sales	*11*	**(120,473)**	(107,101)
Gross profit		**23,319**	63,369
Selling and marketing expenses	*11*	**(15,222)**	(21,946)
General and administrative expenses	*11*	**(86,446)**	(95,299)
Other income	*10*	**2,748**	4,004
Other gain	*10*	**33,664**	11,636
Operating loss		**(41,937)**	(38,236)
Finance income	*12*	**94**	1,412
Finance costs	*12*	**(1,601)**	(1,626)
Finance costs – net	*12*	**(1,507)**	(214)
Share of post-tax profits of associates		**297**	1,033
Loss before income tax		**(43,147)**	(37,417)
Income tax expenses	*13*	**(12,603)**	(6,830)
Loss for the period		**(55,750)**	(44,247)
Other comprehensive income		**–**	–
Total comprehensive loss for the period		**(55,750)**	(44,247)

	Note	Six months ended 30 June	
		2013	2012
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
(Loss)/profit attributable to:			
– Equity holders of the Company		**(60,849)**	(47,905)
– Non-controlling interests		**5,099**	3,658
		(55,750)	(44,247)
Total comprehensive (loss)/income attributable to:			
– Equity holders of the Company		**(60,849)**	(47,905)
– Non-controlling interests		**5,099**	3,658
		(55,750)	(44,247)
Loss per share for loss attributable to equity holders of the Company			
– Basic (RMB per share)	*14*	**(0.0724)**	(0.0665)
– Diluted (RMB per share)	*14*	**(0.0724)**	(0.0665)
Dividend	*15*	**–**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(23,788)**	(46,903)
Net cash generated from/(used in) investing activities	**102,067**	(69,590)
Net cash used in financing activities	**(38,848)**	(16,062)
Net increase/(decrease) in cash and cash equivalents	**39,431**	(132,555)
Cash and cash equivalents at beginning of the period	**53,435**	214,377
Cash and cash equivalents at end of the period	**92,866**	81,822

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 Basis of preparation

This condensed consolidated interim financial information of ShiFang Holding Limited has been prepared in accordance with IAS 34, 'Interim financial reporting'. This condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRS.

During the six months ended 30 June 2013, the Group has reported net operating cash outflows of RMB23,788,000. Despite the operating cash outflows, the Group's cash and cash equivalents have increased by RMB39,431,000 to RMB92,866,000 as at 30 June 2013, primarily due to net cash inflows of RMB63,219,000 from investing activities and financing activities. The operating cash outflows during the six months ended 30 June 2013 were primarily due to the decrease in revenue from newspaper advertising.

The board of directors of the Company has reviewed the Group's cash flow projections prepared by management. The projections make key assumptions with regard to the anticipated cash flows required for the Group's operations, expected proceeds from disposal of investments, anticipated return of deposits from marketing and promotion projects, and availability of future borrowing facilities. 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 directors, after making due enquiries, 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 condensed consolidated interim financial information on a going concern basis.

1.2 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New amendments and interpretations to existing standards effective in 2013 but have no significant impact to the Group's results and financial position

IAS 1 (amendment), "Presentation of financial statements". IAS 1 (amendment) requires entities to present separate items in OCI into two groups, based on whether or not they will be recycled to profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

IFRS 7 (amendment), ‘Offsetting disclosures’. The new disclosure requirements require an entity to disclose information about recognised financial instruments that are offset in the statement of financial position. In addition, disclosures are required for those recognised financial instruments that are subject to master netting or similar arrangements, such as mechanisms to mitigate credit risk with the same counterparty, irrespective of whether they are offset.

IFRS 12, “Disclosure of interests in other entities”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The standard prescribes minimum disclosures to achieve this goal, but requires an entity to consider the level of details necessary and how much emphasis to place on each of the required disclosures.

The adoption of these new and revised IFRSs has not led to any significant changes in the accounting policies applied in this condensed consolidated interim financial information, and has no material effect on the Group’s results and financial position for the current or prior accounting periods reflected in this condensed consolidated interim financial information.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

(b) Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

IAS 36 (amendment), “Recoverable amount disclosures for non-financial assets”. The amendments require entities to disclose the recoverable amount for each CGU with significant amount of goodwill or intangible assets with indefinite useful lives no matter whether there has been impairment. IASB has published limited amendments to remove such requirement for CGU without impairment and introduces additional disclosures about fair value measurements when there has been impairment or a reversal of impairment. The Group is yet to assess IAS 36 (amendment)’s full impact and intends to adopt IAS 36 (amendment) no later than the annual year beginning on or after 1 January 2014.

IFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as IFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt IFRS 9.

IFRIC Interpretation 21, "Levies". The interpretation clarifies the accounting for levies in the financial information of the entity that is paying the levy. The Group is yet to assess IFRIC Interpretation 21's full impact and intends to adopt IFRIC Interpretation 21 no later than the annual year beginning on or after 1 January 2014.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

1.3 Estimates

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

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2012. During the six months ended 30 June 2013, the Group has made impairment provision on certain amounts of doubtful receivables (Note 4) and has reassessed the recoverability of the prepayments and deposits paid by the Group to the newspaper publishers for the exclusive rights to advertise in their newspapers and to the commercial customers for the exclusive rights to provide marketing and promotion services in the real estate development projects (Note 7); and the contingent liabilities arising from the Group's litigation with Shengyang Media Corporation and Yueyanglin Paper Co., Ltd, all of which require significant judgements and estimates.

2 Segment information

The Board has been identified as the chief operating decision maker ("CODM"). Management 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.

3 Revenue

Analysis of the revenue by category is as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising	**83,455**	114,614
Online services	**4,677**	4,096
Marketing, distribution management, consulting and printing services	**52,752**	51,384
Television and radio advertising	**2,908**	376
	143,792	170,470

4 Trade receivables – net

	As at 30 June 2013 *RMB'000* Unaudited	As at 31 December 2012 *RMB'000* Audited
Trade receivables	**289,802**	313,904
Less: provision for impairment of trade receivables	**(134,753)**	(107,426)
Trade receivables – net	**155,049**	206,478

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

	As at 30 June 2013 *RMB'000* Unaudited	As at 31 December 2012 *RMB'000* Audited
1 – 30 days	**24,782**	25,519
31 – 60 days	**5,775**	14,604
61 – 90 days	**5,136**	9,090
91– 365 days	**54,712**	61,540
Over 1 year	**199,397**	203,151
	289,802	313,904
Less: provision for impairment on trade receivables	**(134,753)**	(107,426)
Trade receivables – net	**155,049**	206,478

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

As at 30 June 2013, trade receivables of RMB74,211,000 (31 December 2012: RMB104,160,000) were past due but not impaired. These relate to a number of independent customers for whom there are no recent history of defaults and the repayment periods are consistent with the Group's practice.

As at 30 June 2013, trade receivables of RMB134,753,000 (31 December 2012: RMB107,426,000) were impaired and provided for. For the six months ended 30 June 2013, the amount of the provisions charged to the interim condensed consolidated statement of comprehensive income was RMB31,421,000 (30 June 2012: RMB27,607,000).

The provisions were made as management has determined that the ability of the debtors to repay the trade receivables has deteriorated. These provisions amount were 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 six months ended 30 June 2013, there was no trade receivable directly written-off to the interim condensed consolidated statement of comprehensive income (30 June 2012: RMB9,325,000).

As at 30 June 2013, trade receivables of RMB35,866,000 (31 December 2012: RMB35,866,000) were impaired and provisions made were for the customers where the Group 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 these provisions during the current period and has determined that the provisions remained appropriate as at 30 June 2013.

5 Available-for-sale investment

	As at 30 June 2013	As at 31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Unlisted shares, at fair value:		
Balance at the beginning of the period	**75,134**	–
Transfer from interest in an associate *(Note 6)*	**–**	63,325
Addition	**–**	11,809
Disposal	**(75,134)**	–
Balance at the end of the period	**–**	75,134

As at 31 December 2012, the carrying value of the Group's 11.7% equity interest in Yunnan Handing Investment Co., Limited ("Yunnan Handing Investment") amounted to RMB75,134,000.

On 12 March 2013, the Group's equity interest in Yunnan Handing Investment was diluted to 7.6% as a result of additional equity contribution from the other shareholder of Yunnan Handing Investment.

On 8 May 2013, the Group disposed of its entire equity interest in Yunnan Handing Investment and recognised a gain of RMB33,664,000 *(Note 10)* in connection with this disposal.

6 Interest in associates

	Six months ended 30 June 2013 *RMB'000* **Unaudited**	Six months ended 30 June 2012 *RMB'000* Unaudited
Balance at the beginning of the period	**60,162**	40,393
Increase in equity interest in an associate	**–**	100,000
Disposal of interest in an associate	**–**	(78,101)
Transfer to available-for-sale investment *(Note 5)*	**–**	(63,325)
Share of post-tax profits of associates	**297**	1,033
Balance at the end of the period	**60,459**	–

As at 30 June 2013, the carrying amount Group's interest in an associate of RMB60,459,000 represented its 34% equity interest in Skybroad International Limited ("Skybroad"), including a quasi-equity loan of RMB680,000 to Skybroad, which is unsecured and interest-free.

7 Prepayments, deposits and other receivables

	As at 30 June 2013	As at 31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Non current portion		
Prepayment for long term investments	**173,000**	173,000
Prepayment for long term advertising costs	**52,975**	–
Deposits to newspaper publishers	**60,000**	92,000
Deposits for marketing and promotion projects	**41,250**	166,250
Prepayments and deposits – non current	**327,225**	431,250
Current portion		
Deposits for marketing and promotion projects	**90,500**	33,750
Prepayment for outdoor advertising projects	**20,878**	19,326
Prepayments	**150,967**	173,682
Deposits and other receivables	**148,111**	83,093
Prepayments, deposits and other receivables – current	**410,456**	309,851

8 Trade payables

	As at 30 June 2013	As at 31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**7,951**	5,644

Payment terms granted by suppliers are mainly on cash on delivery and on credit. The credit periods range from 30 days to 365 days after end of the month in which the relevant purchases occurred.

The aging analysis of the trade payables based on the date of receipt of goods is as follows:

	As at 30 June 2013 *RMB'000* **Unaudited**	As at 31 December 2012 *RMB'000* Audited
1 – 30 days	**1,473**	991
31 – 90 days	**1,905**	2,675
Over 90 days	**4,573**	1,978
	7,951	5,644

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

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, interest-free, with no fixed repayment term and repayable upon mutual agreement between the Group and the non-controlling shareholder.

10 Other income and other gain

	Six months ended 30 June 2013 *RMB'000* **Unaudited**	Six months ended 30 June 2012 *RMB'000* Unaudited
Other income:		
Sale of newsprint papers	**2,370**	2,170
Sale of scrap material	**223**	398
Government grants	**–**	1,416
Sundry income	**155**	20
	2,748	4,004
Other gain:		
Gain on disposal of remaining interest in Yunnan Handing Investment	**33,664**	–
Gain on partial disposal of interest in Yunnan Handing Investment	**–**	11,636
	33,664	11,636

11 Expenses by nature

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Auditors' remuneration	**1,227**	1,367
Cost of newspaper advertising		
– Media costs	**89,969**	80,736
Cost of online services	**2,988**	1,402
Cost of television and radio advertising		
– Media costs	**3,844**	1,170
Cost of distribution management, consulting and printing services:		
– Raw material	**7,928**	9,876
– Media costs	**1,135**	2,058
– Other costs	**1,061**	1,034
Depreciation	**4,889**	4,756
Amortisation	**11,141**	8,004
Impairment loss on intangible assets	**–**	856
Operating lease charges in respect of land and buildings	**3,028**	2,399
Net loss/(gain) on disposal of property, plant and equipment	**149**	(879)
Provision for impairment on trade receivables *(Note 4)*	**31,421**	27,607
Write-off of trade receivables	**–**	9,325
Net foreign exchange loss	**185**	50
Employee benefit expenses (including directors' emoluments)	**35,280**	40,355
Business and other taxes	**4,159**	6,179

12 Finance costs – net

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**94**	1,412
Finance costs:		
– Interest expense on bank borrowings	**(1,601)**	(1,626)
Finance costs – net	**(1,507)**	(214)

13 Income tax expenses

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
Mainland China Corporate Income Tax ("CIT")		
– Current tax	**13,053**	3,550
– Under provision in prior years	**859**	4,590
	13,912	8,140
Deferred income tax	**(1,309)**	(1,310)
	12,603	6,830

14 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2013 and 2012 are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited
Loss attributable to equity holders of the Company *(RMB'000)*	**(60,849)**	(47,905)
Weighted average number of shares in issue (thousands)	**839,942**	719,942
Basic loss per share (RMB per share)	**(0.0724)**	(0.0665)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2013, 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 period was anti-dilutive (30 June 2012: same).

15 Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

In the first half of 2013, the rebound of the Chinese macro economy which started at the end of 2012 did not persist. Although a bundle of economic stimulus was launched in the first half of 2012 with a view to secure growth, the Chinese macro economy dipped again in the first half of 2013 after a temporary and modest revival in the fourth quarter of 2012. The year-on-year increases in China's gross national product for the first half and the second quarter of 2013 were 7.6% and 7.5%, respectively, showing a slowdown in macro economic growth even though the pace of growth was still steady. However, the Purchasing Manager's Index composed jointly by HSBC and Markit revealed that the manufacturing industry in China shrank in June 2013. The weak domestic and overseas consumption together rendered the global economic recovery slow and difficult, and the Group was confronted with enormous challenge from the economic environment during the period under review.

In respect of the industry at large, according to the most recent China Advertising Market Review for the First Half of 2013 published by the newspaper branch of the China Advertising Association and CVSC – TNS Research ("CTR"), both of which are authoritative research institutions, the market for all print media contracted. The market for newspapers and magazines shrank by 6.1% and 8.2%, respectively, as compared with the corresponding period last year. The newspaper and magazine industries were significantly outperformed by the general market. Both spending on and resources of newspaper advertising continued to decrease in the first half of the year. Although the rate of decrease has lowered as compared with last year with a rise in January 2013 due to seasonal fluctuations during the Chinese New Year period, the contraction persisted through February to May and even accelerated in the second quarter on a monthly basis. Notably, the spending on advertisement by several pillar industries, namely the commercial and services, transportation, mail, telecommunications and financial institutes, dropped significantly. Only the spending of the real estate industry grew, by 25.2%, and has given support to the newspaper advertising industry. The main reasons for the contraction were a change in spending strategy and competition from the online new media. In particular, the drop in spending on advertisement by the pillar industries has restricted the overall development of newspaper advertising and led to a general shrinkage of the newspaper advertising business.

On the other hand, television media maintained its continuous growth during the first half of 2013 at a rate of 11.3%, surpassing the advertising market in general. Television remained the leader among traditional media. Compared with a growth rate of 11.4% for the corresponding period last year, growth in radio advertising slowed down to only 2.7% in the first half of 2013. The era of rapid expansion for radio advertising has passed.

According to the 32nd Statistical Report on Internet Development in China released by China Internet Network Information Center ("CNNIC"), by the end of June 2013, the number of Chinese netizens reached 591 million, with an Internet penetration rate of 44.1%. During the first half of 2013, mobile phones as Internet terminals did not only become an important source of new netizens, but also performed well in terms of network applications such as instant messaging and e-business. With the proliferation of smart devices, netizens were shifting from desktop computers to mobile terminals dominated by smartphones, which have become the battlefield of major online media.

Business review

The advertising industry has always been an indicator of economic development. The slowdown in the Chinese economy has also impacted the advertising industry, resulting in a tough operating environment in the first half of 2013. Affected by the reorganisation of advertising structure and the reduction in advertising spending from the commercial, services and other industries, the Group's revenue from newspaper advertising has dropped. For the six-month period ended 30 June 2013 (the "Period"), the Group's revenue amounted to approximately RMB143.8 million, representing a decrease of 15.7% as compared with the corresponding period last year. Gross profit dropped by 63.2% year-on-year to approximately RMB23.3 million. Gross profit margin was 16.2% (the first half of 2012: 37.2%). Net loss after tax for the Period amounted to approximately RMB55.8 million (the first half of 2012: net loss after tax of approximately RMB44.2 million), mainly due to the slowdown in Chinese macro-economic growth, the persistent contraction of the newspaper advertising industry facing encroachment by online new media, a decrease in operating revenue, and provisions for bad debts due to uncertainties as to the recovery of certain trade receivables. Nonetheless, the Group continued to adjust its business model, develop new media and new technologies, strengthen existing partnerships and actively expand its market so as to prepare for a turnaround and new market opportunities.

Maintained solid and broad customer base

The Group has always strived to maintain a stable and broad customer base of advertisers from various business sectors such as real estate, consumer products, 3C (computer, communication and consumer products), telecommunications, home appliance retail, automotive, home construction materials, healthcare and medical, education, and classified advertisements.

Although the advertising market was hit by the slowdown in domestic macro-economic growth during the first half of the year, the Group continued its effort to explore new business opportunities in order to strengthen its customer base. In addition to newspaper advertising, which covers a wider readership, the Group also actively sought to assist its clients in enhancing the effectiveness of their marketing campaigns in a comprehensive manner with emerging media channels such as the Internet and mobile networks. During the period under review, the customer base of the Group remained largely unchanged as compared with last year notwithstanding a drop in clients' reliance on newspaper advertising.

Newspaper advertising

In recent years, the Chinese newspaper advertising market suffered continuous blows. The surge of new media has captured readers from newspapers. The global shortage in paper-making materials and environmental issues have also led to the price hikes of paper, and the surge in costs has had a direct effect on the operations of the newspaper industry. All the above factors together contributed to a lower newspaper circulation. The recent drop in advertising orders has also taken its toll on the newspaper industry. Moreover, the number of advertisements placed by the relevant industries continued to dwindle as the Chinese government continued to implement austerity measures on the real estate industry. As a result, the Group's revenue from advertisements for the commercial and services sectors was inevitably affected and recorded a continuous decline. Furthermore, the newspaper advertising industry was also inescapably hit by the slowdown in China's macro-economic growth.

Suffering from a shift in advertising strategies and the severe competition from online new media, the newspaper advertising industry contracted as a whole, and the speed of the contraction has even accelerated since the beginning of the second quarter of 2013. Notably, spending by several pillar industries, namely the commercial and services, transportation, mail, telecommunications and financial institutes, on newspaper advertising continued to drop significantly. Revenue from newly established newspapers still in the investment stage was also limited. The combined effect of the above factors contributed to a year-on-year decline in revenue from newspaper advertising of 27.2% to RMB83.5 million. Gross loss for the Period was RMB7.7 million, compared to gross profit of RMB31.0 million for the corresponding period last year. The drop in gross profit was mainly due to the significant reduction in revenue, while the payments to media partners were basically fixed with the minimum guaranteed payment commitment. In particular, the Group's newspaper advertising turnover from comprehensive collaborative media partners amounted to RMB67.2 million, accounting for 80.5% of the total revenue from newspaper advertising, while newspaper advertising revenue from partial collaborative contracts amounted to RMB16.3 million, or 19.5% of the total revenue from newspaper advertising. In order to mitigate the Group's operating pressure and risk amid the challenges faced by the domestic newspaper advertising industry, as well as to strengthen the comprehensive collaborative contract business model, the Group actively negotiated with some comprehensive collaborative media partners to agree on a change in their settlement mechanism so that the Group may cease to pay the operating costs of these comprehensive collaborative media partners in accordance with the minimum guaranteed payment commitment under the original comprehensive collaborative contracts. Under the new mechanism, the Group will pay the costs of reporting and editing, office operation, newspaper printing, newsprint paper and distribution of these comprehensive collaborative media partners, while the income from advertising and circulation will be enjoyed by the Group. As of 30 June 2013, the Group had 9 media partners, including *Southeast Express, Lifestyle Express, Modern Life Daily, Southeast Business, Central Guizhou Morning Post, Xiamen Daily, Xiamen Evening News, City Lifestyle Weekly*, and a magazine, *TV Friends*. The Group's operations span more than seven second- and third-tier cities across six provinces in China, covering a very large demography. During the period under review, the newspaper advertising business remained one of the core businesses of the Group, accounting for approximately 58.1% of the Group's revenue from its core businesses. As the Internet and mobile media businesses flourish, the Group is seeking to re-position its operations and is actively identifying opportunities in new media so as to capture young consumers and enter these markets.

Meanwhile, the Group also actively continued its cooperation with Liaoning Baixin Media Company Limited through the operation of *City Lifestyle Weekly* (formerly known as *Liaoning Broadcasting & TV Weekly*) and *TV Friends* by ShiFang XinDa Culture Media Company Limited, a non-wholly owned subsidiary of the Group. These moves further solidify 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 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. On 26 June 2013, the Shenyang Intermediate People's Court commenced the retrial of the case and the case is once again in its first instance. The Group is currently waiting for further instructions from the courts and will notify the shareholders of any progress in the litigation in a timely manner.

Online services

With the rapid expansion of the Internet industry, its influence on the real economy and traditional sectors is also growing. Such influence is mainly reflected in three aspects, namely the transformation of traditional industries, new sectors that are better served by the Internet than the conventional service industries, and the integration of online and offline operations. In the first half of 2013, the Chinese Internet advertising market grew rapidly. The Group believes that advertising services for new mobile media will enjoy enormous room for expansion in the foreseeable future. As such, the Group has been active in allocating additional resources to its online businesses supported by the Cloud Call technology, Duk, DNKB and Life News in order to establish its Internet media platform with technologies and channels that complement traditional media channels. Currently, the Group's online services and digital media businesses are at a stage of active exploration and have achieved initial success. Such exploration is expected to last for a relatively long period. During this period, the threefold business model of Duk is being tested in the market. The Group believes that the full implementation of reading subscriptions and a profit-sharing system with licensors will further reduce the number of free reading members. The digital media business is also actively building up a suitable platform to interact with the traditional media and its existing clients, this platform has gradually won acceptance by the clients and the market, and a new round of platform adjustment and marketing is well underway.

During the period under review, revenue from this business amounted to RMB4.7 million, representing a year-on-year increase of 14.6% and accounting for 3.3% of the Group's total revenue. Gross profit was RMB1.5 million, representing a decrease of 40.0% year-on-year. The decrease was mainly due to the fact that the Internet platforms and online operations of the Group were not yet mature. The operations of the Group were further impacted by the reduction in clients' expenditures on non-portal websites due to domestic and overseas economic uncertainties, as well as the intensification of competition within the online services and digital media industry. However, in view of the promising prospects of online media, the Group will actively establish its comprehensive multi-media platforms, enlarge its foothold in the new media industry, and enhance its market share.

During the period under review, being the first private enterprise in Fujian Province engaging in online new media which has obtained the Internet Publication Permit from General Administration of Press and Publication of the PRC, Duk maintained its market position as one of the largest digital media publishing platforms in China. Duk has online cooperative publishing rights with over 300 publishers, 860 magazine publishing houses, and 5,000 magazines, as well as digital cooperative publishing rights with 17 municipal daily, evening, and commercial newspapers. The Group went on to launch new versions of Duk and established a competitive business model that builds on its extensive copyrights and readership base. By cooperating with third party digital platforms and setting up marketing channels for institutional users, coupled with effective marketing strategies, the Group endeavors to boost its writers' fame and maximize revenue from their works, thereby achieving a win-win situation. In the next phase, Duk will enhance the features of its information and servicing webpages, and to promote the concept of city directories so as to improve the market penetration of its clients' advertisements. Building on existing page views, Duk will further expand its stable readership base. It will also offer charts of top local, national, and international news to improve reading efficiency and the credibility of the website. From now on, Duk will develop a one-on-one service and marketing model for advertisers with its key events and promotional spaces. To strengthen its ties with advertisers, marketing effectiveness will be Duk's top priority. Furthermore, it will offer more highly readable leisure and entertainment contents so as to increase Duk's value and reader loyalty.

For DNKB, a market-oriented new version was launched during the period under review. With the new version, DNKB took the number of its advertisers and its operating revenue to new heights. With clearer separation of the healthcare, travel, automobile and real estate sections, the newly organised user-friendly links will greatly enhance the service and usefulness of DNKB, and will encourage interaction between netizens and the public. In addition, DNKB successfully rolled out a new marketing model with graphics, stories and videos tailored for events such as car shows. Its cooperation with enterprises such as China Mobile and 長富 was also reinforced. In respect of Life News, its sub-pages, namely Fangshuo (http://fs.shxb.net) and Yishuo (http://ys.shxb.net), were already conducting online trials and have seen initial success through interaction and cooperation with newspapers. Guiwang (www.qbnews.cn) also achieved a major breakthrough in terms of the execution of marketing events such as the focused promotion of online events in relation to "lawful administration" and Junping Xijiu Liquor. In August 2012, the Group completed the acquisition of 34.0% of the issued shares in Skybroad International Limited, a company which developed the voice over Internet protocol (VoIP) based communications software known as Cloud Call ("Cloud Call/Cloud Call App"), which operates on mobile and personal computer platforms. The main function of the system is to allow users, wherever they are, to make calls and conference calls with phone users in China and around the world via 3G, WiFi or Internet networks without paying roaming or long distance telephone charges. With a clear target audience and outstanding features, Cloud Call has gathered a user base of almost 2 million, and has started to generate revenue for the Group.

The Group also operates Fangke Web (www.fangke.cc) through its non-wholly owned subsidiary, Fujian Fangke Network Technology Corporation Limited. Being an advocate and forerunner of a new and effective business marketing model for the real estate industry, Fangke Web stayed 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. During the Period, Fangke Web was divided into two major segments, namely Fangke Media and Fangke Network. Fangke Media has established teams in Fuzhou and Xiamen to operate a first-hand real estate advertising business in each city separately. Fangke Network is mainly responsible for completing the networking projects required by Fangke Holdings and future strategic planning for Fangke Web. Fangke Network has, on the one hand, provided technical support in comprehensive networking to and managed the platform for Fangke Media, and has completed the 1.0 commercialisation project of the local real estate portal systems of Fangke Web. On the other hand, Fangke Network will focus on completing the overhaul and technical upgrade of the old second-hand and unsold real estate leasing and sales platform in the second half of 2013 in order to explore new target user bases and sources of revenue for Fangke Web with its market positioning as an "intelligent search engine for real estate marketing".

In terms of online services and mobile network, the Group has accumulated an enormous amount of data and has built up a comprehensive product portfolio with numerous technical restructuring and collaborative developments. The Group has now developed several user-end applications and separate products, collected and classified numerous databases, rolled out practical products, formulated an integrated service and sales business model based on the original print media sales system, and established the necessary technological and product support for the development of Shifang's cloud computing platform.

The Group's online services business aims at building a services portfolio comprising a wide selection of different products with different functions. First, the Group will establish China's leading CTD database (消費動態分析大數據) for gathering and organising massive amounts of information and data on the web. By grouping, comparing, and screening all data, major social data regarding behavioral characteristics, attitudes, interests and consumptions of the network community are analysed; consumption trends and patterns of consumers using new media are outlined. Second, the cloud call client product, a social tool featuring instant network messaging and instant communication applications similar to WeChat, has been developed based on the Linux operating system. It has an independent and comprehensive cloud platform and is available to mobile device users in the form of an application. Currently, the cloud call products have an accumulated downloads of almost 2 million. Third, local daily service products in the form of applications have been launched and promoted among companies in different regions to provide information of local communities using the resources of those companies. The application was recently released to the market, and the Group has selected Fuzhou and Shenyang as the first two cities for trial launches. Fourth, a mobile marketing system will be developed to encompass functions such as two-dimensional barcode generation, official websites for handsets, business platform and custom-made modular applications. Fifth, the online marketing system has been developed to arrange comprehensive services such as accurate online viewers search, Weibo marketing and WeChat services. The online marketing system provides solutions to clients who have difficulties locating suitable potential consumers and tackling problems caused by the lack of market data, consumption analysis and competitor analysis. The system also furnishes a full-range data for clients' comprehensive marketing projects; offers one-on-one tailored-made services to each client, plans and promotes online Weibo and WeChat events, explores multi-media marketing channels, and gives early warning on brand defects. This product charges annual package fees. Sixth, the Group has developed a social analytic system based on Shifang's Zhengtong platform. This system collects, classifies, compares and monitors data across the Internet in order to provide comprehensive early warnings to governments and companies, and charges annual package fees. Meanwhile, the Group's branches across the country will capitalise on local resources and market demand in order to develop and roll out new localised applications and products.

Marketing, distribution management, consulting, and printing services

In spite of a slight drop in the revenue from distribution management, consulting, and printing services, revenue from the Group's marketing, distribution management, consulting and printing services for the period under review rose by 2.5% to RMB52.7 million, accounting for 36.6% of the Group's total revenue. The Group's marketing, distribution management, consulting and printing services as a percentage of the Group's total revenue increased by 6.6% compared to the same period of the previous year.

In order to offer integrated print media advertising solutions to clients from various sectors, the Group has entered into exclusive cooperation contracts with some of its newspaper partners for the sales of advertising space and the provision of integrated services. The Group also offers certain ancillary services, including printing, distribution management, consulting and marketing advice. As always, the Group is committed to maintaining close relationships with its newspaper partners and to helping publications maintain their excellent printing quality, so as to increase revenue from the provision of integrated print media services. During the period under review, the Group continued to provide comprehensive distribution and management 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 and printed *Southeast Express, Lifestyle Express and Central Guizhou Morning Post*, respectively. In addition to the printing of *Southeast Express*, the Fuzhou factory also continued to print *China Securities Journal* and *Shanghai Securities News*, which are distributed in Fujian. With stringent management of the printing quality of its publications, the Group was able to ensure high quality in the printing of its advertisements, making them more attractive to readers, as well as to maintain the strategic and close cooperative relationships with its newspaper partners during the period under review.

Leveraging its own resources and the established technologies developed by Fangke Web, a website operated by its subsidiary, Fujian Fangke Network Technology Corporation Limited, the Group also provides clients with professional integrated marketing solutions, including comprehensive property marketing planning and property management. During the period under review, Fangke Web achieved stable progress in terms of its operational efficiency and effectiveness as the Group continued to devote resources to the business and consolidate its cooperation with comprehensive marketing clients. However, the business recorded slower growth in the first half of 2013 as the real estate sector has been hampered by the restrictive elements of macroeconomic regulation and control and the resulting delays in the launches of new property projects by developers as compared with the previous year. During the period under review, the Group realized revenue of RMB31.3 million from planning and marketing services provided to real estate clients.

Through its subsidiary, ShiFang Healthcare Technology Corporation Limited, the Group has established 十方健康網 (www.sfjkw.com) for the provision of all-round medical and healthcare information. This integrated information service platform, which is comprised of websites, call center platforms and appointment registration systems, etc, has become a unique medical and healthcare information platform in China. During the period under review, the Group has created greater awareness and trust among platform users as it continued to develop interaction between consumers, including experts, readers and members through strategic cooperation with experts from public hospitals and through serving the end market with various products such as healthcare information advisory, consultancy services, and newspaper features on health. In addition, 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.

Television and radio advertising

For the first half of 2013, revenue from the Group's television and radio advertising segment amounted to RMB2.9 million, increased by RMB2.5 million compared with the previous year, accounting for 2.0% 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. Its major clients are real estate and automobile companies seeking diversified television advertising solutions. The Group has also maintained an amicable cooperative relationship with Nanning Television Station in Guangxi Province. During the period under review, not only did the Group continue to broadcast advertisements for home-improvement, building materials and automobile companies in advertising time slots on four channels of Nanning Television Station, it also further confirmed the feasibility of sector-driven cooperation and the Group's strategic direction for the future. On the other hand, the Group will also be active in exploring opportunities for cooperation with other television stations in order to expand its television advertising business. It will strive to form full or partial collaborative partnerships with television stations which are similar to its relationships with newspaper media partners so as to further expand the sources of income from 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, the Group has applied for arbitration in relation to the denial of the Group's access to the corresponding program library of YangGuang DuShi, a wholly-owned subsidiary of China National Radio, in a timely manner pursuant to an agreement with YangGuang DuShi regarding a collaborative project in relation to the development of licensed radio stations ("the Agreement"). The China Economic and Trade Arbitration Commission rendered an award to the Group in April 2013, confirming that the Agreement was terminated on 11 June 2012. After deducting the performance bond and the relevant legal and arbitration fees, the Group received a net payment of prepaid royalty for the collaborative project of RMB8,797,000 from YangGuang DuShi during the period under review.

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Revenue

Total revenue of the Group decreased by 15.7% from RMB170.5 million for the six months ended 30 June 2012 to RMB143.8 million for the six months ended 30 June 2013, primarily due to the decrease in revenue from newspaper advertising from RMB114.6 million for the six months ended 30 June 2012 to RMB83.5 million for the six months ended 30 June 2013. Revenue from printing services shrank from RMB19.8 million for the six months ended 30 June 2012 to RMB16.5 million for the six months ended 30 June 2013. Revenue from the comprehensive cooperation contracts accounted for approximately 80.5% of the Group's total newspaper advertising revenue for the six months ended 30 June 2013.

Gross profit and gross profit margin

Gross profit decreased by 63.2% from RMB63.4 million for the six months ended 30 June 2012 to RMB23.3 million for the six months ended 30 June 2013, primarily due to a drop in revenue and the newspaper advertising cost paid to comprehensive cooperative newspaper partners as a result of the minimum guaranteed payment commitment. Gross profit margin decreased from 37.2% for the six months ended 30 June 2012 to 16.2% for the six months ended 30 June 2013. Notwithstanding the fact that the gross profit margins of the marketing, distribution management, consulting and printing services segments remained stable during the period, the overall gross profit margin was adversely affected by the performance of the newspaper advertising business.

Other income

Other income decreased by 32.5% from RMB4.0 million for the six months ended 30 June 2012 to RMB2.7 million for the six months ended 30 June 2013, primarily as a result of a decrease in the income from government grants.

Other gain

Other gain amounted to RMB33.7 million is recorded for the disposal of Group's entire remaining interest in Yunnan Handing Investment for the six months ended 30 June 2013.

Selling and marketing expenses

Selling and marketing expenses decreased by 30.6% from RMB21.9 million for the six months ended 30 June 2012 to RMB15.2 million for the six months ended 30 June 2013 mainly because of a decrease in the wages of sales personnel as a result of a decline in revenue from newspaper advertising. Selling and marketing expenses as a percentage of revenue decreased slightly from 12.8% for the six months ended 30 June 2012 to 10.6% for the six months ended 30 June 2013.

General and administrative expenses

General and administrative expenses decreased by 9.3% from RMB95.3 million for the six months ended 30 June 2012 to RMB86.4 million for the six months ended 30 June 2013, mainly because of the decrease in direct write-off of bad debts by RMB9.3 million and the decrease in staff costs by RMB1.1 million.

Income tax expenses

Income tax expenses increased by 85.3% from RMB6.8 million for the six months ended 30 June 2012 to RMB12.6 million for the six months ended 30 June 2013 as a result of an increase of taxable income for the period.

Results for the period

The Group recorded a loss of RMB55.8 million for the six months ended 30 June 2013. This was mainly attributable to the 15.7% decrease in revenue and the 63.2% decrease in gross profit during the period.

Liquidity and capital resources

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(23,788)**	(46,903)
Net cash generated from/(used in) investing activities	**102,067**	(69,590)
Net cash used in financing activities	**(38,848)**	(16,062)
Net increase/(decrease) in cash and cash equivalents	**39,431**	(132,555)
Cash and cash equivalents at beginning of the period	**53,435**	214,377
Cash and cash equivalents at end of the period	**92,866**	81,822

Cash flow used in operating activities

For the six months ended 30 June 2013, net cash used in operating activities amounted to RMB23.8 million, this is primarily attributable to the loss for the period amounting to RMB55.8 million and a slight increase in advertising prepayments to media partners.

Cash flow generated from/(used in) investing activities

For the six months ended 30 June 2013, net cash generated from investing activities amounted to RMB102.1 million, resulting primarily from cash receipts for the disposal of the remaining interest in Yunnan Handing Investment of RMB36.2 million and the return of deposits from marketing and promotion projects of RMB68.3 million. The above amounts were then offset by purchase payments of property, plant and equipment of RMB2.7 million.

Cash flow used in financing activities

For the six months ended 30 June 2013, net cash used in financing activities amounted to RMB38.8 million, primarily attributable to repayments of loans advanced from a related party of RMB39.3 million.

Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. The Group incurs capital expenditures mainly for the purchase of printing machinery and office equipment. The Group's capital expenditures were RMB2.7 million and RMB2.7 million for the six months ended 30 June 2013 and 30 June 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 30 June 2013 *RMB'000* **Unaudited**	As at 31 December 2012 *RMB'000* Audited
1 – 30 days	**24,782**	25,519
31 – 60 days	**5,775**	14,604
61 – 90 days	**5,136**	9,090
91– 365 days	**54,712**	61,540
Over 1 year	**199,397**	203,151
	289,802	313,904
Less: provision for impairment on trade receivables	**(134,753)**	(107,426)
Trade receivables – net	**155,049**	206,478

The Group's trade receivables decreased by 24.9%, from RMB206.5 million as at 31 December 2012 to RMB155.0 million as at 30 June 2013. Such decrease was mainly attributable to the reduced income from the newspaper advertising business. Trade receivables turnover days extended from 226 days for the year ended 31 December 2012 to 229 days for the six months ended 30 June 2013, primarily due to the continued implementation of regulatory and controlling measures on the real estate industry by the PRC government that resulted in the reduction in spending on newspaper advertising, which in turn led to tighter market liquidity and longer payment time by customers.

Assets held for sale

The properties for which the Group has effective interest in and intends to sell are held under the line item "assets held for sale":

	As at 30 June 2013 *RMB'000* Unaudited	As at 31 December 2012 *RMB'000* Audited
Properties held for sale	**42,182**	44,969

The Group recognises revenue from advertising services upon obtaining the effective interest of the relevant properties. Revenue recognised from the relevant real estate customers were RMB17.0 million and RMB0.3 million for the year ended 31 December 2012 and for the six months ended 30 June 2013, accounting for 4.5% and 0.2% of the total revenue respectively. For the same periods, the amounts of proceeds received from the sales of such properties were RMB1.4 million and RMB3.1 million, respectively.

Trade payables

	As at 30 June 2013 *RMB'000* Unaudited	As at 31 December 2012 *RMB'000* Audited
1 – 30 days	**1,473**	991
31 – 90 days	**1,905**	2,675
Over 90 days	**4,573**	1,978
	7,951	5,644

The Group's trade payables increased by 42.9%, from RMB5.6 million as at 31 December 2012 to RMB8.0 million as at 30 June 2013, this was primarily attributable to an increase of payable to newsprint suppliers. Trade payables turnover days increased from 7 days for the year ended 31 December 2012 to 45 days for the six months ended 30 June 2013, which was also due to the delay in repayment during the period.

Indebtedness

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

	As at 30 June 2013	As at 31 December 2012
	RMB'000	*RMB'000*
	Unaudited	Audited
Borrowings		
Short-term bank loans, secured	**44,000**	44,000
Other loan	**16**	539
Total	**44,016**	44,539

Total borrowings amounted to RMB44.5 million and RMB44.0 million as at 31 December 2012 and 30 June 2013, respectively.

Carrying values of borrowings secured by the Group's buildings amounted to RMB44.5 million and RMB44.0 million for the year ended 31 December 2012 and for the six months ended 30 June 2013, respectively.

Gearing ratio increased slightly from 3.4% as at 31 December 2012 to 3.6% as at 30 June 2013.

Capital commitments

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

	As at 30 June 2013 *RMB'000* **Unaudited**	As at 31 December 2012 *RMB'000* Audited
Not later than 1 year	**161,555**	191,418
Later than 1 year and not later than 5 years	**516,200**	707,000
Later than 5 years	**1,836,000**	1,890,000
	2,513,755	2,788,418

Contingent liabilities

(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 seeking to revoke the judgment of first instance in due course.

On 27 December 2012, the Higher People's Court of Liaoning Province ordered the judgment of first instance on 30 August 2012 should be dismissed and a retrial of the case at the Shenyang Intermediate People's Court was ordered. On 26 June 2013, the Shenyang Intermediate People's Court commenced the retrial of the case and the case is once again in its first instance. The Group is currently waiting for further instructions from the court and will notify the shareholders of any progress in the litigations in a timely manner. The management believes that it is not probable that this litigation would result in any 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 made provision for loss or provision for impairment of the RMB43,780,000 deposit and prepayment paid to Shenyang Media Corporation as at 30 June 2013.

(b) Enforcement order issued by the 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 transfers of assets, such as connected transactions or confusion of properties, between Southeast Express, Lifestyle Express, and the Group against the civil judgment and hence, Yueyang Intermediate People's Court ordered to freeze the cash assets of the Company and its wholly owned subsidiaries, including Fuzhou AoHai Advertisement Co., Ltd. ("Fuzhou AoHai") and Kunming AoHai Advertising Co., Ltd. ("Kunming AoHai") up to a maximum amount of RMB31,859,018 under the enforcement letter.

On 8 November 2012, the Group submitted an objection application to Yueyang Intermediate People's Court to object and rescind the enforcement order. The Group has subsequently received an enforcement judgment issued by Yueyang Intermediate People's Court on 30 January 2013 to revoke the enforcement order issued by Yueyang Intermediate People's Court dated 26 October 2012. However, Yueyanglin Paper Co., Ltd. has subsequently lodged an appeal to the Higher People's Court of Hunan Province to request for overruling of this enforcement judgment. As such, RMB22,274,299 of cash deposits in four bank accounts held by Fuzhou AoHai in the PRC continued to be frozen as of 30 June 2013 pursuant to the enforcement order issued by the Yueyang Intermediate People's Court.

According to the advice from the Group's PRC legal counsel, and to the best knowledge, information and belief of the directors, management believes that it is not probable that this enforcement order would result in a material outflow of economic benefits from the Group.

Accordingly, no provision for loss in respect of the RMB22,274,299 cash deposits was made as at 30 June 2013.

The Company will make further announcement to inform its shareholders of further developments of the litigations as and when appropriate.

Human resources

As at 30 June 2013, the Group had approximately 907 full-time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2013 was approximately RMB35.3 million (For the six months ended 30 June 2012: approximately RMB40.4 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees.

The compensation of the directors is evaluated by the remuneration committee, which 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, the purpose of which is to provide incentive or reward to eligible persons who have provided services to the Company for their contribution and continuous 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 the second half of the year, the Group is cautiously optimistic about the outlook of the global economy which has shown signs of recovery. The improving external environment and the government's continuous effort in respect of industrial restructuring and policy guidance are both expected to lead the Chinese economy to grow stably. "Advertising creation, advertising planning, advertising design and advertising production" are listed as supported industries in the Guidance Catalogue for Industrial Structure Adjustment and the effect on the market is still going strong, providing a highly favourable operating environment for the Company. Despite the slow pickup of the global economy, as well as the slowdown in Chinese economic growth caused by the national policy emphasising stable development and industrial restructuring, the Chinese economy is stabilising and growing on an upward trend. The stabilisation of the Chinese economic growth will provide strong policy support and space for the development of the advertising industry.

As the traditional publication media is in decline, the Group has strategically shifted its development focus to new media by devoting more resources to new media such as the Internet so as to speed up the transition from traditional media to new media. Facing the challenges brought by the Internet (new media) business, the Group fully recognises the importance of restructuring and has analysed the appropriate timing and conditions for implementation, and has started expanding the business of online services. With ample market resources, an established clientele and a professional management team, the Group has begun to adjust its business structure, strengthen market expansion efforts as well as integrate traditional print media with new technologies, so as to establish a more effective multimedia platform and business model. The Company will boost the operating efficiency of the Internet channels and technologies, the radio and television media and increase the number of media partners. The solid groundwork the Group has laid is the first crucial step to a successful restructuring and improvement of the Group's profit generating ability. Though difficulties may arise during the restructuring process, the Group is poised to overcome whatever challenges and obstacles that may emerge.

In addition, the Group has been doing well in controlling costs and enhancing work efficiency. The Group's competitive edge, such as its brand, multiregional coverage and multimedia platform, will be powerful tools for business restructuring, which is a long process. With a brand value that is on the rise, the Group is looking forward to reap the fruits of restructuring.

In the long run, the growing consumption power of Chinese consumers will drive the Company's development. The Group will continue to build up a comprehensive "ShiFang" advertising network and give priority to stabilising and restructuring its current operations. By striving to restructure its operations, the Group aims to create greater value for the shareholders under intense market competition.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 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 code provisions on 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"). Saved as disclosed below, the Board considers the Company has complied with the code provisions as set out in the CG Code.

CODE PROVISION A.2.1

Under code provision A.2.1 of the CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Chen Zhi, who acts as the chairman and chief executive officer of the Company, is responsible in pioneering the Company's distinctive business model and undertaking the main decision-making role in the management of the Company's overall operations and overseeing the strategic development of the Group. The Board will meet regularly to consider and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that sufficient measures have been taken and Mr. Chen acting as the chairman and chief executive officer of the Company 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 2013 due to other business commitment. Instead, Mr. Zhang Tie Zhu, 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 to all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the six months ended 30 June 2013 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code, the primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee 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, who has appropriate professional qualifications and experience in accounting matters. The Audit Committee has reviewed the Group's condensed consolidated interim financial information for the six months ended 30 June 2013 with no disagreement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the six months ended 30 June 2013. Neither the Company nor any of its subsidiaries had purchased, sold or repurchased any of the listed shares of the Company during the six months ended 30 June 2013.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.shifangholding.com) and the Stock Exchange (www.hkexnews.hk). An interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and make available on the abovementioned websites in due course.

By order of the Board
ShiFang Holding Limited
Chen Zhi
Chairman

Hong Kong, 29 August 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.