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 2013

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 28.3% from approximately RMB377.2 million for the year ended 31 December 2012 to approximately RMB270.3 million for the year ended 31 December 2013.
- Gross profit decreased by approximately 32.1% from approximately RMB111.9 million for the year ended 31 December 2012 to approximately RMB76.0 million for the year ended 31 December 2013.
- The Group recorded a loss for the year of RMB514.4 million for the year ended 31 December 2013, mainly attributable to (i) decline in business revenue, (ii) provisions for impairment of certain deposits, prepayments and other receivables due from contracted business partners; and (iii) increase in the provision for impairment of trade receivables during the year.
- The Group recorded a basic loss per share of RMB0.6153 for the year ended 31 December 2013 as compared to a basic loss per share of RMB0.1799 for the same year in 2012.
- Gearing ratio, the proportion of the Group's total borrowings to total assets, improved from approximately 3.4% as at 31 December 2012 to 0% as at 31 December 2013, 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 2013.

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 2013 together with the comparative figures for the corresponding year of 2012.

The consolidated financial statements set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2013 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 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**55,146**	60,045
Intangible assets		**21,466**	37,957
Available-for-sale investment	*4*	**–**	75,134
Interest in associates	*5*	**59,993**	60,162
Prepayments, deposits and other receivables	*7*	**160,947**	431,250
		297,552	664,548
Current assets			
Inventories		**6,789**	7,900
Assets held for sale		**27,492**	44,969
Trade receivables – net	*6*	**47,324**	206,478
Prepayments, deposits and other receivables	*7*	**92,641**	309,851
Amounts due from related parties		**19,867**	8,900
Restricted cash		**–**	12,890
Short-term bank deposits		**50,000**	–
Cash and cash equivalents		**53,911**	53,435
		298,024	644,423
Total assets		**595,576**	1,308,971
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	*9*	**72,687**	72,687
Share premium	*9*	**556,440**	556,440
Other reserves		**107,614**	110,813
(Accumulated deficits)/retained earnings		**(233,880)**	278,891
		502,861	1,018,831
Non-controlling interests		**9,804**	43,174
Total equity		**512,665**	1,062,005

	Notes	2013 RMB'000	2012 RMB'000
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**–**	51,441
Deferred income tax liabilities		**2,157**	4,777
		2,157	56,218
Current liabilities			
Trade payables	*8*	**6,653**	5,644
Other payables and accrued expenses		**38,707**	96,598
Current income tax liabilities		**35,049**	42,908
Borrowings		**–**	44,539
Amounts due to related parties		**345**	1,059
		80,754	190,748
Total liabilities		**82,911**	246,966
Total equity and liabilities		**595,576**	1,308,971
Net current assets		**217,270**	453,675
Total assets less current liabilities		**514,822**	1,118,223

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
Revenue	2	**270,326**	377,242
Cost of sales	11	**(194,279)**	(265,367)
Gross profit		**76,047**	111,875
Selling and marketing expenses	11	**(32,287)**	(38,405)
General and administrative expenses	11	**(221,493)**	(164,130)
Provision for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables	7	**(358,741)**	(43,780)
Other gains	10	**33,664**	12,060
Other income	10	**3,694**	9,468
Operating loss		**(499,116)**	(112,912)
Finance income		**454**	1,518
Finance costs		**(1,839)**	(3,218)
Finance costs – net		**(1,385)**	(1,700)
Share of (loss)/profit of associates	5	**(169)**	501
Loss before income tax		**(500,670)**	(114,111)
Income tax expense	12	**(13,715)**	(16,261)
Loss and total comprehensive loss for the year		**(514,385)**	(130,372)
Loss and total comprehensive loss attributable to:			
– Equity holders of the Company		**(516,834)**	(137,940)
– Non-controlling interests		**2,449**	7,568
		(514,385)	(130,372)
Loss per share for loss attributable to equity holders of the Company			
– Basic *(RMB per share)*	13	**(0.6153)**	(0.1799)
– Diluted *(RMB per share)*	13	**(0.6153)**	(0.1799)
Dividend		**–**	–

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.

The consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. The consolidated financial statements have been approved for issue by the board of directors on 28 March 2014.

1.2 Basis of preparation

The accounting policies and methods of computation used in preparing the consolidated financial statements 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 2013, except for the adoption of the following new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2013 and did not have a material impact on the Group's consolidated financial statements:

Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendment to IFRSs 10, 11 and 12	Transition Disclosures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (2011)	Employee Benefits
IAS 27 (2011)	Separate Financial Statements
IAS 28 (2011)	Investments in Associates and Joint Ventures

The following new standards, amendments to standards and interpretation which are not yet effective for the accounting year ended 31 December 2013 and which have not been adopted in these consolidated financial statements:

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IAS 32	Financial Instruments: Presentation on Asset and Liability Offsetting
Amendments to IAS 36	Impairments of Assets – Recoverable Amount Disclosures for Non-financial Assets
Amendments to IAS 39	Financial Instruments: Recognition and Measurement
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosures
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRIC-Int 21	Levies

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 statements 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 statements are set out in the Group's consolidated financial statements to be included in the 2013 annual report.

The Group has been continuously making loss since year 2012 and during the year ended 31 December 2013, the Group reported a loss for the year of RMB514,385,000 and a net cash outflow from operating activities of RMB71,248,000. Notwithstanding the above, the consolidated financial statements are prepared on a going concern basis.

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, taking into account the availability of existing 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 Group's ability to achieve the projected cash flows depends on the management's ability to successfully implement initiatives to improve the Group's cash flows, including measures to control capital expenditure and corporate overhead, investments in new businesses, collect repayments of deposits for marketing and promotion projects according to agreed schedule, expedite receipt of cash from settlement of trade and other receivables, realisation of assets held for sale and the availability of the borrowing facilities.

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 operation performance, believe 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 Revenue

Revenue 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 RMB69,858,000 for the year ended 31 December 2013 (2012: RMB100,378,000).

	2013	2012
	RMB'000	*RMB'000*
Newspaper advertising	**181,260**	256,399
Online services	**6,311**	11,089
Marketing, distribution management, consulting and printing services, and outdoor advertising services and activities	**77,709**	107,608
Television and radio advertising	**5,046**	2,146
	270,326	377,242

3 Segment information

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

The Executive Directors assess 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 centralized 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

	2013	2012
	RMB'000	*RMB'000*
Unlisted shares, at fair value:		
At 1 January	**75,134**	–
Transfer from interest in an associate	**–**	63,325
Addition	**–**	11,809
Disposal	**(75,134)**	–
At 31 December	**–**	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.

5 Interest in associates

	2013	2012
	RMB'000	*RMB'000*
At 1 January	**60,162**	40,393
Increase in equity interest in associates	**–**	60,014
Increase in quasi-equity loan to associates	**–**	100,680
Disposal of interest in an associate	**–**	(78,101)
Transfer to available-for-sale investment	**–**	(63,325)
Share of post-acquisition (loss)/profit	**(169)**	501
At 31 December	**59,993**	60,162

As at 31 December 2013, the carrying amount of the Group's interest in an associate of RMB59,993,000 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.

Skybroad is a private company and there is no quoted market price available for its shares. There are no contingent liabilities relating to the Group's interest in Skybroad.

Set out below are details of the associate of the Group as at 31 December 2013. The associate as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of its principal operation is in the PRC.

Name of entity	**Country of incorporation**	**% of ownership interest**	**Nature of the relationship**	**Measurement method**
Skybroad	BVI	34.0	Note 1	Equity

Note 1: Skybroad provides Voice over Internet Protocol (VoIP) based communication software known as Cloud Call that operates on mobile and personal computer platforms. Skybroad is a strategic partnership for the Group, providing access to the mobile advertising market.

6 Trade receivables – net – Group

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**226,364**	313,904
Less: provision for impairment of trade receivables	**(179,040)**	(107,426)
Trade receivables – net	**47,324**	206,478

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

	2013	2012
	RMB'000	*RMB'000*
1 – 30 days	**17,543**	25,519
31 – 60 days	**8,170**	14,604
61 – 90 days	**5,535**	9,090
91– 365 days	**30,471**	61,540
Over 1 year	**164,645**	203,151
	226,364	313,904
Less: provision for impairment on trade receivables	**(179,040)**	(107,426)
Trade receivables – net	**47,324**	206,478

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

As at 31 December 2013, trade receivables of RMB7,926,000 (2012: RMB104,160,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent histories of default and the repayment periods are consistent with the Group's practice.

As at 31 December 2013, trade receivables of RMB179,040,000 (2012: RMB107,426,000) were impaired and provided for. For the year ended 31 December 2013, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB78,671,000 (2012: RMB40,723,000).

For the year ended 31 December 2013, trade receivables of RMB11,154,000 were directly written-off to the consolidated statement of comprehensive income (2012: RMB10,038,000). 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.

7 Prepayments, deposits and other receivables

	2013	2012
	RMB'000	*RMB'000*
Non-current portion		
Prepayments for long term investments	**173,000**	173,000
Deposits to newspaper publishers	**92,000**	92,000
Deposits for marketing and promotion projects	**16,250**	166,250
	281,250	431,250
Less: provisions for impairment *(note (i))*	**(120,303)**	–
Prepayments, deposits and other receivables – non-current	**160,947**	431,250
Current portion		
Deposits for marketing and promotion projects	**33,750**	33,750
Prepayments for outdoor advertising projects	**18,497**	19,326
Prepayments	**239,934**	207,462
Deposits and other receivables	**60,678**	93,093
Receivable from Yueyang City Intermediate People's Court *(note (ii))*	**22,000**	–
	374,859	353,631
Less: provisions for impairment *(note (i))*	**(282,218)**	(43,780)
Prepayments, deposits and other receivables – current	**92,641**	309,851

(i) ***Provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables***

Carrying values before provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables paid by the Group to newspaper publishers and outdoor advertising projects as at 31 December 2013 were as follows:

	Shenyang Evening News	**Outdoor advertising projects**	**Three metropolitan newspaper publishers**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Long term investments	–	–	173,000	173,000
Long term deposits	–	–	92,000	92,000
Prepayments	33,780	18,497	201,501	253,778
Deposits and other receivables	10,000	–	23,937	33,937
Balance as at 31 December 2013	43,780	18,497	490,438	552,715

Provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables included provisions for exclusive cooperative newspaper publishers of RMB345,741,000, Shenyang Evening News of RMB43,780,000 and outdoor advertising projects of RMB13,000,000. Movements of the provisions for impairment were as follows:

	Shenyang Evening News	**Outdoor advertising projects**	**Three metropolitan newspaper publishers**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2013	43,780	–	–	43,780
Provisions for impairment during the year	–	13,000	345,741	358,741
Balance as at 31 December 2013	43,780	13,000	345,741	402,521

(a) *Shenyang Evening News*

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 considered the recoverability of the prepayment and deposit and probable outcome of the pending litigation with Shenyang Evening News, and determined full provision of these amounts for the year ended 31 December 2012.

(b) *Outdoor advertising projects*

Prepayments for outdoor advertising projects represent rental expenses prepaid by the Group to obtain the exclusive rights to lease advertising space of certain electronic displays and outdoor billboards for outdoor advertising projects. Pursuant to exclusive agreements signed, the commercial customers were contractually obligated to make delivery of certain advertising resources to the Group for the year ended 31 December 2013, to which they were unable to fulfill. After considering the legal advices from the Group's legal counsel and the probable utilisation of rental expenses for the operations of the outdoor advertising projects, the Directors made impairment provisions for the aforementioned projects.

(c) *Three metropolitan newspaper publishers*

As at 31 December 2013, prepayments, deposits and other receivables totaling RMB490,438,000 were made by the Group to three metropolitan newspaper publishers, namely Southeast Express, Lifestyle Express, and Central Guizhou Morning Post. Pursuant to the exclusive cooperative agreements signed with these metropolitan newspaper publishers, the Group has to make initial deposits and periodic payments throughout the contract period in exchange for the exclusive advertising rights to sell advertising spaces of respective newspapers.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the Directors reviewed the Group's ability to recover the carrying amounts of the prepayment for long term investments and deposits, current prepayments and receivables made to the metropolitan newspaper publishers and determined provisions totaling RMB345,741,000 should be made as at 31 December 2013.

(ii) Receivable from Yueyang City Intermediate People's Court

On 30 September 2013, the Company, and its wholly owned subsidiaries, including Fuzhou AoHai Advertisement Co., Ltd. ("Fuzhou AoHai") and Kunming AoHai Advertising Co., Ltd. ("Kunming AoHai) received an enforcement judgement issued by Yueyang City Intermediate People's Court dated 22 September 2013 which ordered to draw RMB22,000,000 out of the bank accounts of Fuzhou AoHai and Kunming AoHai in favor of Yueyanglin Paper Co., Ltd.

The Directors, after seeking legal advice from the Group's legal counsel, are of the opinion that the Group will be able to collect of the aforementioned RMB22,000,000 and thus classified the RMB22,000,000 as receivables from Yueyang City Intermediate People's Court.

8 Trade payables

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**6,653**	5,644

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

The aging analysis of the trade payables based on the invoice date was as follows:

	2013	2012
	RMB'000	*RMB'000*
1 – 30 days	**2,533**	991
31 – 90 days	**769**	2,675
Over 90 days	**3,351**	1,978
	6,653	5,644

9 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 2013 and 2012 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares at 1 January 2012	719,942,121	71,994,212	62,863	530,900	593,763
Allotment of new ordinary shares of HK$0.1 *(Note (b))*	120,000,000	12,000,000	9,824	25,540	35,364
Ordinary shares at 31 December 2012, 1 January 2013, and 31 December 2013	839,942,121	83,994,212	72,687	556,440	629,127

Notes:

(a) The Company was incorporated in the Cayman Islands on 9 December 2009 with an authorised share capital of HK$200 million divided into 2,000,000,000 shares of HK$0.1 each. On the same date, the Company issued and allotted one share, credited as fully paid at par, to China TopReach Inc., the immediate holding company of the Company.

(b) 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 as part of the purchase consideration for its entire 34% interest in Skybroad. 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.

10 Other income and other gains

	2013	2012
	RMB'000	*RMB'000*
Other income:		
Sale of newsprint papers	**2,592**	5,028
Sale of scrap material	**487**	1,097
Government grants	**269**	2,616
Sundry income	**346**	727
	3,694	9,468
Other gains:		
Gain on disposal of a subsidiary	**–**	424
Gain on disposal of interest in Yunnan Handing Investment	**33,664**	11,636
	33,664	12,060

11 Expenses by nature

	2013	2012
	RMB'000	*RMB'000*
Auditors' remuneration	**4,647**	5,379
Cost of newspaper advertising		
– Media costs	**147,393**	199,491
Cost of marketing and promotion services	**14,829**	11,865
Cost of online services	**3,629**	2,947
Cost of television and radio advertising		
– Media costs	**5,261**	4,190
Cost of distribution management, consulting and printing services:		
– Raw material	**12,350**	20,593
– Media costs	**7,155**	3,743
– Other costs	**823**	1,838
Depreciation	**9,762**	9,459
Amortisation	**16,557**	14,516
Operating lease charges in respect of land and buildings	**6,373**	5,963
Net loss on disposal of property, plant and equipment	**20**	355
Provision for impairment on trade receivables	**75,708**	36,044
Write-off of trade receivables	**11,154**	10,038
Write-off of prepayments and other receivables	**12,988**	–
Loss on disposal of assets held for sale	**7,747**	–
Net foreign exchange loss	**310**	128
Employee benefit expenses (including directors' emoluments)	**78,459**	93,422
Business tax	**7,510**	12,435

12 Income tax expense

	2013	2012
	RMB'000	*RMB'000*
Current income tax		
Mainland China Enterprise Income Tax ("EIT")		
– Current tax	**16,506**	18,054
– (Over)/under provision in prior years	**(171)**	827
	16,335	18,881
Deferred income tax	**(2,620)**	(2,620)
	13,715	16,261

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 2013 and 2012.

Xiamen Duke was granted the qualification as a new and high-tech enterprise, and was entitled to the tax rate of 15% for year ended 31 December 2013 (2012: 15%)

13 Loss per share

(a) Basic

Basic loss per share for the years ended 31 December 2013 and 2012 is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Loss attributable to equity holders of the Company *(RMB'000)*	**516,834**	137,940
Weighted average number of shares in issue *(thousands)*	**839,942**	766,827
Basic loss per share *(RMB per share)*	**0.6153**	0.1799

(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 year ended 31 December 2013, the Company's share options issued under the pre-IPO share option scheme 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 (2012: same).

14 Dividend

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

15 Subsequent events

As at 31 December 2013, the Group has placed deposits totaling RMB50,000,000 to certain commercial customers in the PRC for the exclusive rights to provide marketing and promotion services for several real estate projects. In January 2014, the Group was offered residential and commercial properties from the commercial customers as an alternative settlement method for the deposits placed, and the original marketing and promotion services agreements would then be terminated. As a result, on 17 February 2014, the Group entered into termination agreements with the aforementioned commercial customers to terminate the marketing and promotion services agreements and accepted the alternative settlement method. Management believes such arrangements would not affect the recoverability of the amounts outstanding as at 31 December 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

In 2013, the world economy showed signs of recovery but the outlook remained uncertain. Given the economic environment and owing to a variety of external factors, China's economic growth rate slowed down and was subject to downward pressure. According to *the Statistical Communiqué on the 2013 National Economic and Social Development* released by the National Bureau of Statistics of China, China's gross domestic product ("GDP") in 2013 was nearly RMB5.69 trillion. Despite a year-on–year increase of 7.7% growth in GDP, the growth rate was the lowest in four years. The continued macroeconomic decline has posed immense challenges to the development of the advertising market. The Group's businesses faced constant difficulties brought by the macroeconomic downturn during the year under review.

For the industry as a whole, according to the most recent *China Advertising Market Review for 2013* published by the newspaper branch of the China Advertising Association and CVSC – TNS Research ("CTR"), both of which are authoritative research institutions, advertising market share of print media contracted. Advertising spending on newspapers and magazines shrank by 8.1% and 6.8%, respectively, indicating a further decline in the newspaper advertising sector. According to a survey on media credibility in 2013, television, as a traditional media platform, was still the best-rated media. The internet, representing new media, overtook newspapers and took the second place. Newspaper, a traditional media outlet, ranked third. Social media Weibo and WeChat came in fourth and fifth. In terms of advertising resources, newspaper advertising resources decreased by 16.9% and magazine advertising resources saw the largest decline at 20.8%. Newspaper continued to struggle as newspaper advertising revenue and newspaper credibility experienced further decline amidst the tough economic environment. In terms of spending on newspaper advertisement in 2013, the growth of real estate advertisement spending became almost the only bright spot and source of support. Other pillar industries such as retailing, automotive, service industries, financial services, telecommunications and pharmaceuticals all saw varying degrees of reduction in advertising spending. This was largely due to a change in spending strategy and competition from the online media. In particular, the drop in spending on newspaper advertisement by the pillar industries has restricted the overall development of the newspaper advertising industry and has led to a general shrinkage of the newspaper advertising business. Print media has entered an ice age and is undergoing a difficult test.

As for the advertising market for other traditional media, Nielsen highlighted that China's television advertising spending increased by 13.3% year-on-year, becoming the only traditional media type to record a higher than average year-on-year growth as compared to the overall advertising market. Radio advertising spending saw a change from years of high growth and recorded only a slight increase of 2.9% due to stagnant growth in its customer base.

The internet and new media advertising market experienced rapid growth worldwide in 2013. According to a report on global advertising market research released by market research firm Nielsen, global online advertising spending across the web, mobile internet and application software collectively grew by 32.4% in 2013, by far the largest increase of any media platform. The firm stated that one area in which the internet plays an increasingly strong role is in multiscreen, multi-network and mobile advertising. In addition, as the current share of the internet advertising market is still small, accounting for only 4.5% of the overall spending in advertising, there is ample room for growth in this field.

The Third Plenary Session of the 18th CPC Central Committee provided support to the development of small and micro cultural enterprises. The State Council set an industrial development target last year for the consumption of information products and services to grow at an average annual rate of at least 20% to reach a target output of more than RMB3.2 trillion in 2015. This development spur the new output of related industries to reach more than RMB1.2 trillion during the year under review. New internet-based information consumption reached RMB2.4 trillion, translating to an average annual growth of more than 30%. It is expected that the internet and new media advertising market will continue to benefit from related policies. Traditional advertising media will continue to face challenges and undergo relatively stable development.

Business review

The advertising industry has always served as a bellwether of economic development. The slowdown in the Chinese economy has also impacted the advertising industry, resulting in a tough operating environment in 2013. Affected by the impact of internet and new media, placement strategy of advertisers and the restructuring of the advertising market, there was a reduction in advertising spending from our pillar industries such as retailing, automotive, financial, telecommunications, pharmaceutical and service industries, with the exception of the real estate industry. The Group's revenue from newspaper advertising has declined as a result.

In view of a challenging operating environment, the Group actively responded during the year under review by optimising its business model. It also strived to maintain strict cost control and broaden its source of revenue.

Stable client base

The Group has an established and stable client base of advertisers from various business sectors such as consumer products, real estate, 3C (computer, communication and consumer products), telecommunications, home appliance retailing, automotive, home construction materials, healthcare and medicine, education, and classified advertisements. The Group's client base remained largely unchanged compared with last year, notwithstanding a fall in clients' reliance on newspaper advertising.

In addition to maintaining the existing advertising client base, the Group has not only actively sought new customers, but has also helped existing clients to penetrate into other advertising fields by leveraging the wide readership of newspaper advertising to develop the Group's online services and provide value-added service to clients.

Newspaper advertising

With China's economic slowdown, as well as the decline in advertising in traditional publications in terms of spending and volume due to the rapid growth of new media distribution channels, advertising in Chinese newspapers continued to dwindle in 2013. In addition, the Group's investment in newly-published newspapers were still at an early stage, and the integration with new media platforms is still in progress, generating limited revenue for the Group. The combined effect of the above factors contributed to the decline in newspaper advertising revenue to RMB181.3 million, down by 29.3% year-on-year. Gross profit was RMB38.8 million, down by 23.9% year-on-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 minimum guaranteed payment. In particular, the Group's newspaper advertising turnover from comprehensive collaborative media partners amounted to RMB154.1 million, accounting for 85.0% of the total revenue from newspaper advertising, while newspaper advertising revenue from partial collaborative contracts amounted to RMB27.2 million, or 15.0% of the total revenue from newspaper advertising. Despite the decline in revenue, the newspaper advertising business remained one of the Group's core businesses, accounting for approximately 67.1% of revenue from its core businesses.

To mitigate the Group's operating pressure and risk amidst the challenges faced by the domestic newspaper advertising industry, and to strengthen the comprehensive collaborative contract business model, the Group actively and effectively negotiated with some comprehensive collaborative media partners during the year under review to adjust their advertising cost arrangements to a cost-based system that based on the reporting, editing and office expenses of the comprehensive collaborative media partners. This was so that the Group could cease paying advertising costs of these comprehensive collaborative media partners in accordance with the minimum guaranteed payment commitment under the original comprehensive collaborative contracts. Under the new arrangements, the Group will bear the newspaper printing costs, newsprint paper costs, and distribution costs of its partners, while enjoying advertising and circulation income from those operations. As of 31 December 2013, the Group had nine 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.

Meanwhile, the Group continued its cooperation with Liaoning Baixin Media Company Limited through *City Lifestyle Weekly* (formerly known as *Liaoning Broadcasting & TV Weekly*) and *TV Friends* by ShiFang XinDa Culture Media Company Limited, a part-owned subsidiary of the Group. These moves further reinforced the Group's market position as an integrated printed media service provider, as it continued to seize the opportunities brought by the restructuring of non-political newspapers in China.

Online Services

In 2013, the world experienced a boom in the internet industry. The growth of internet penetration in China was no exception. Around 230 million people accessed the internet with personal computers on a daily basis, while mobile online penetration continued to rise, reaching 200 million users each day for the year under review. With China's flourishing internet community, the advertising market associated with the industry continued to grow rapidly and has high growth potential. As such, the Group has been active in allocating additional resources to its online businesses consisting of the Group's cloud call technology, Duk, DNKB and Life News. The Group has continued to establish its internet media platform with technologies and channels that complement existing traditional media channels and boost the online to offline integration. During the year under review, the Group's online services and digital media businesses were at a stage of active exploration and achieved initial success. Such exploration is expected to last for a relatively long period. During the period, Duk tested its business model in the market. The Group believes that the full implementation of paid subscriptions and a profit-sharing system with licensors will further reduce the number of readers with free membership.

The Group is also actively building up an online advertising platform for data operations of content interaction of new media, online media, traditional media and client resources, and accurate content distribution. A new round of operation is well underway.

During the year under review, the Group's operations were further impacted by the fact that its internet platforms and online operations had not yet matured, and the reduction in clients' spending on non-portal websites had intensified competition within the online services and digital media industry. Revenue from this business in 2013 fell 43.2% to RMB6.3 million compared with the previous year, representing 2.3% of the Group's total revenue. Gross profit was RMB2.5 million, down 66.2% year-on-year. Nevertheless, the Group will continue to speed up the construction of an integrated multimedia platform, and stay committed to expanding its market share and enhancing its position in the new media industry, and to seize advantage of the market opportunities brought by the flourishing online media.

During the year under review, being the first private enterprise in Fujian Province engaging in online new media under an internet publication permit from the 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 endeavours to raise its writers' profile and maximise revenue from their works, achieving a win-win situation for the writers and the Group. In the next phase, Duk will enhance the features of its information and servicing webpages, and will promote the concept of city directories 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, Duk will make marketing effectiveness its top priority. Furthermore, it will offer more highly readable leisure and entertainment contents to raise its value and reader loyalty.

For DNKB, a market-oriented new version was launched during the year under review. With the new version, DNKB took the number of its advertisers and operating revenue to new heights. With a clearer separation of the healthcare, travel, automobile and real estate sections, the links will be more user-friendly and will greatly enhance the value 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 to events such as car shows. DNKB has also stepped up cooperation with enterprises such as China Mobile and Changfu Dairy.

In respect of Life News, its sub-pages, namely Fangshou (http://fs.shxb.net) and Yishuo (http://ys.shxb.net), have already conducted online trials and have seen initial success through interaction and cooperation with newspapers. Guiwang (www.qbnews.cn) also achieved a major breakthrough in marketing events, such as the themed online activities 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") for mobile devices and personal computers. The main feature 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, wireless networks or the internet without paying roaming or long distance telephone charges. With a clear target audience and outstanding features, Cloud Call has built up a user base of almost 3 million, and has started to generate revenue for the Group. Skybroad International Limited launched Tianyi Group Call, a professional conference call software, with China Telecom and Huawei in December 2013. Tianyi Group Call provides audio and video conference call and instant messaging features, and conference calls can be initiated by pressing only one button. It also supports multi-platform interoperability, mainly based on enterprise applications of telecommunication platforms, and provides corporate meetings, instant messaging (IM) and business networking functions. Currently there is a huge market for turning instant communication to group call, and the market demand has not yet been fully tapped. The Company will focus on markets for company-level meeting and personal mobile group chat in the future.

The Group also operates Fangke Web (www.fangke.cc) through its part-owned subsidiary, Fujian Fangke Network Technology Corporation Limited. Being an advocate and forerunner of new and effective business marketing models 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. Fangke Network is mainly responsible for completing the networking projects for Fangke Holdings and future strategic planning for Fangke Web. Fangke Network has, on one hand, provided technical support in comprehensive networking to real estate marketing planners and agencies. It has also managed the platform and completed the 2.0 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 2013 to explore new target user bases and new 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 database of data. It has also 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, developed 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 to build a service portfolio comprising a wide selection of products with different functions. First, the Group will strive to establish China's leading consumption trend dynamics 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, it can analyse major social data on behavioral characteristics, attitudes, interests and consumption patterns of the network community, as well as outline consumption trends and patterns of consumers using new media. Second, the Group has developed the cloud call user product, a social tool featuring instant network messaging and instant communication applications similar to WeChat 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 a mobile application. Currently, the Cloud Call products have accumulated downloads of almost 3.2 million. Third, the Group has launched local daily service products in the form of applications and promoted them to companies in different regions to provide local communities information using the resources of those companies. Fourth, the Group will develop a mobile marketing system that will encompass functions such as two-dimensional barcode generation, official websites for handsets, business platform and custom-made modular applications. Fifth, the Group has developed an online marketing system to provide comprehensive services such as accurate online viewers search, Weibo marketing and WeChat services. The online marketing system provides solutions to clients who have difficulty locating suitable potential consumers and tackling problems caused by the lack of market data, consumption analysis and competitor analysis. The system also furnishes full-range data for clients' comprehensive marketing projects; offers one-on-one tailor-made services to clients, plans and promotes online Weibo and WeChat events, explores multi-media marketing channels, and flags up brand defects at an early stage. 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 to provide comprehensive timely alerts 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 to develop and roll out new localised applications and products.

Marketing, distribution management, consulting, and printing services

Revenue from the Group's marketing, distribution management, consulting and printing services for the year under review fell by 27.8% to RMB77.7 million, accounting for 28.7% of the Group's total revenue.

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 sale of advertising space and the provision of integrated services. The Group also offers certain ancillary services, including printing, distribution management, consulting and marketing advice. It is committed to maintain close relationships with its newspaper partners, to help publications maintain their excellent printing quality, and to increase revenue from the provision of integrated print media services.

During the year under review, the Group continued to provide comprehensive distribution and management services to *Southeast Express* and *Lifestyle Express*. In terms 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. To make them more attractive to readers, the Group maintained strategic and close cooperative relationships with its newspaper partners and maintained advertisement quality through more stringent quality control in 2013.

Leveraging Fangke Web, a website operated by Fujian Fangke Network Technology Corporation Limited, the Group continued to provide clients with professional integrated marketing solutions, including comprehensive property marketing planning and property management. The Group continued to consolidate its cooperation with clients by offering one-stop marketing services, striving to maintain stable progress in its operational efficiency and effectiveness. However, given the fact that the real estate sector were affected by the macroeconomic regulation and the resulting delays in new property projects launches, the Group's revenue from planning and marketing services provided to real estate clients declined to RMB46.3 million in 2013.

Through its subsidiary, ShiFang Healthcare Technology Corporation Limited, the Group has established 十方健康網 (www.sfjkw.com). This integrated information service platform, which includes websites, call centre platforms and appointment registration systems, provides experts, readers and members with an interactive platform for the provision of comprehensive medical and healthcare information. During the period, the Group continued its strategic cooperation with public hospitals and served 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

Television and radio advertising revenue in 2013 reached RMB5.0 million, an increase of RMB2.9 million from 2012, accounting for 1.9% of the Group's total revenue. The Group's television advertising business provides real estate and automobile companies with diversified and extended auxiliary services.

During the year under review, the Group maintained an amicable cooperative relationship with Nanning Television Station in Guangxi Province, and broadcasted advertisements for home improvement, building materials and automobile companies in advertising time slots on four channels of Nanning Television Station. The Group will be active in exploring opportunities for cooperation with other television stations to expand its television advertising business. The Group will strive to establish itself as a major television media operator and a media resource provider.

In terms of the radio advertising business, the Group received the judgement of the China Economic and Trade Arbitration Commission in April 2013. The judgement award confirmed that the licensing and collaborative development agreement with YangGuang DuShi, a wholly-owned subsidiary of China National Radio, was terminated on 11 June 2012. After deducting the contractual deposit and the relevant legal and arbitration fees, the Group received a net payment of prepaid royalty for the copyrights under the collaborative development project of RMB8,797,000 from YangGuang DuShi during the year under review.

FINANCIAL REVIEW

Revenue

Total revenue decreased significantly by 28.3% from RMB377.2 million for the year ended 31 December 2012 to RMB270.3 million for the year ended 31 December 2013, primarily because domestic economic growth slowed down due to a variety of factors, thereby posing downward pressure on the total revenue. Besides, due to the proliferation of online new media, as well as the change in clients' advertising strategy and the restructuring of the advertising market, revenue from newspaper advertising decreased from RMB256.4 million for the year ended 31 December 2012 to RMB181.3 million for the year ended 31 December 2013 and revenue from marketing, distribution management, consulting and printing services decreased from RMB107.6 million for the year ended 31 December 2012 to RMB77.7 million for the year ended 31 December 2013.

Gross profit and gross profit margin

Gross profit decreased by 32.1% from RMB111.9 million for the year ended 31 December 2012 to RMB76.0 million for the year ended 31 December 2013. Gross profit margin decreased from 29.7% for 2012 to 28.1% for 2013, which was primarily attributable to the unsatisfactory performance of newspaper advertising and marketing, distribution management, consulting and printing services.

Other income

Other income decreased by 61.1% from RMB9.5 million for the year ended 31 December 2012 to RMB3.7 million for the year ended 31 December 2013, primarily due to the decrease in the income from government subsidies.

Other gains

Other gains amounted to RMB33.7 million was recorded for the disposal of Group's entire remaining interest in Yunnan Handing Investments for the year ended 31 December 2013.

Selling and marketing expenses

Selling and marketing expenses decreased by 15.9% from RMB38.4 million for the year ended 31 December 2012 to RMB32.3 million for the year ended 31 December 2013, mainly because of the decrease in wages paid to marketing staff, which was in line with the decline in income during the year.

General and administrative expenses

General and administrative expenses increased significantly by 35.0% from RMB164.1 million for the year ended 31 December 2012 to RMB221.5 million for the year ended 31 December 2013, mainly because of the increase in the disposal loss of asset held for sale of RMB7.7 million and increase in the provision for impairment of trade receivables of RMB75.7 million.

Provision for impairment of prepayments, deposits, long term investment and other receivables

Provision for impairment of prepayments, deposits, long term investment and other receivables increased significantly by 718.9% from RMB43.8 million for the year ended 31 December 2012 to RMB358.7 million for the year ended 31 December 2013, mainly because of increase in the provision for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables of three metropolitan newspaper publishers and outdoor advertising projects of RMB345.7 million and RMB13.0 million respectively.

Loss before income tax

As a result of the foregoing factors, loss before income tax for the year ended 31 December 2013 was RMB500.7 million, representing a significant increase of 338.8% as compared to loss before income tax of RMB114.1 million for the year ended 31 December 2012.

Income tax expense

Income tax expense decreased by 16.0% from RMB16.3 million for the year ended 31 December 2012 to RMB13.7 million for the year ended 31 December 2013 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 RMB514.4 million for the year ended 31 December 2013, mainly attributable to the significant decline in revenue and the significant increase in the provision for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables during the year.

Profit attributable to non-controlling interests

Profit attributable to non-controlling interests decreased from RMB7.6 million for the year ended 31 December 2012 to RMB2.4 million for the year ended 31 December 2013.

Loss attributable to equity holders of the Company

As a result of the foregoing factors, loss attributable to equity holders of the Company increased from RMB137.9 million for the year ended 31 December 2012 to a loss of RMB516.8 million for the year ended 31 December 2013.

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 2013, the Group recorded a loss of RMB514.4 million and a net cash inflow of RMB0.5 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	
	2013	2012
	RMB'000	*RMB'000*
Net cash used in operating activities	**(71,248)**	(61,355)
Net cash generated from/(used in) investing activities	**202,122**	(78,572)
Net cash used in financing activities	**(130,398)**	(21,015)
Net increase/(decrease) in cash and cash equivalents	**476**	(160,942)
Cash and cash equivalents at the beginning of the year	**53,435**	214,377
Cash and cash equivalents at the end of the year	**53,911**	53,435

Cash flow used in operating activities

For the year ended 31 December 2013, net cash used in operating activities amounted to RMB71.2 million, primarily attributable to the loss for the year amounted to RMB514.4 million.

Cash flow generated from investing activities

For the year ended 31 December 2013, net cash generated from investing activities amounted to RMB202.1 million, resulted primarily from cash receipt for the disposal of available for sale investment of RMB108.8 million, return of deposits from marketing and promotion projects of RMB150.0 million, offset by payments for the additions of plant and equipment of RMB5.3 million and placement of term deposits with original maturities over three months of RMB50.0 million.

Cash flow used in financing activities

For the year ended 31 December 2013, net cash used in financing activities amounted to RMB130.4 million, primarily attributable to repayments of loans advanced from a related party of RMB51.4 million and net repayments of bank borrowings and other loans of RMB44.5 million, and distribution of dividend to non-controlling shareholders of a subsidiary of RMB35.4 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 RMB6.6 million and RMB5.3 million for the years ended 31 December 2012 and 31 December 2013, 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	
	2013	2012
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**17,543**	25,519
31 – 60 days	**8,170**	14,604
61 – 90 days	**5,535**	9,090
91 – 365 days	**30,471**	61,540
Over 1 year	**164,645**	203,151
Total	**226,364**	313,904
Less: provision for impairment of trade receivables	**(179,040)**	(107,426)
Total trade receivables – net	**47,324**	206,478

Trade receivables decreased by 77.1% from RMB206.5 million as at 31 December 2012 to RMB47.3 million as at 31 December 2013. Such decrease was mainly attributable to the reduced income from newspaper advertising and the increase in the provision for impairment of certain long outstanding trade receivables. Trade receivables turnover days decreased from 226 days for the year ended 31 December 2012 to 171 days for the year ended 31 December 2013, primarily due to the implemented measure taken by the Group on the customer management and shorter 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	
	2013	2012
	RMB'000	*RMB'000*
Assets held for sale	**27,492**	44,969

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 RMB17.0 million and RMB2.4 million for the years ended 31 December 2012 and 31 December 2013, respectively, which accounted for 4.5% and 0.9% of total revenue, respectively. For the same periods, the amount of proceeds received from the sales of such properties was RMB1.4 million and RMB5.6 million, respectively.

Trade payables

	As at 31 December	
	2013	2012
	RMB'000	*RMB'000*
1 – 30 days	**2,533**	991
31 – 90 days	**769**	2,675
Over 90 days	**3,351**	1,978
Total	**6,653**	5,644

Trade payables increased by 19.6% from RMB5.6 million as at 31 December 2012 to RMB6.7 million as at 31 December 2013. Trade payables turnover days increased from 7 days for the year ended 31 December 2012 to 50 days for the year ended 31 December 2013, which was mainly due to the increase in purchases of newsprint paper 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	
	2013	2012
Borrowings	***RMB'000***	*RMB'000*
Short-term bank loans, secured	–	44,000
Other loan	–	539
Total	–	44,539

Total borrowings amounted to RMB44.5 million as at 31 December 2012 and nil as at 31 December 2013, respectively. The Group obtained a renewal of banking facilities amounted to RMB55.0 million and has not been utilised as at 31 December 2013.

Loans included borrowings secured by equipment and buildings with carrying values of RMB44.0 million for the year ended 31 December 2012.

Gearing ratio decreased from 3.4% as at 31 December 2012 to 0% as at 31 December 2013 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	
	2013	2012
	RMB'000	*RMB'000*
Not later than 1 year	**119,910**	191,418
Later than 1 year and not later than 5 years	**259,240**	707,000
Later than 5 years	**891,040**	1,890,000
	1,270,190	2,788,418

Contingent liabilities

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 judgements 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 sued 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 ("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 Evening News Media Corporation Limited, where the Group sued 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 ("Case 2") to the Group.

On 8 March 2012, the Group received a civil judgement 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 lodged an appeal to the Supreme People's Court of the PRC (the "Supreme People's Court") on 13 March 2012 requesting the Supreme People's Court to overrule the Higher People's Court's decision.

On 30 August 2012, the Group received a judgement 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 judgement becomes effective. On 6 September 2012, the Group lodged an appeal to the Higher People's Court to seek to revoke the judgement of first instance.

On 27 December 2012, Higher People's Court of Liaoning Province ordered the judgement of first instance issued by the Shenyang Intermediate People's Court on 30 August 2012 be dismissed and a retrial of the case at the Shenyang Intermediate People's Court was ordered ("Case 1"). On 25 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 management believes that it is not probable that this litigation would result in a material outflow of economic benefits from the Group.

On 5 December 2013, a civil judgement was issued by the Supreme People's Court in relation to *Case 2*. It is ruled that the civil judgement dated 8 March 2012 by the Higher People's Court of Liaoning Province should be dismissed, and that the case shall be handled by the Higher People's Court of Liaoning Province. The management believes that it is not probable that this litigation would result in any material outflow of economic benefits from the Group.

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.

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

On 26 October 2012, the Yueyang Intermediate People's Court ruled that in view of intentional transfer of assets among Southeast Express, Lifestyle Express, and the Group, the court freezes 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 value of RMB31,859,018 ("Freezing Order").

On 8 November 2012, the Group appealed to Yueyang Intermediate People's Court against the Freezing Order. The Freezing Order was revoked 30 January 2013. Yueyanglin Paper Co., Ltd. has subsequently lodged an appeal to the Higher People's Court of Hunan Province against this decision, but on 22 August 2013, the Higher People's Court dismissed the appeal application by Yueyanglin Paper Co., Ltd.

However, the Yueyang Intermediate People's Court issued two enforcement judgements in favour of Yueyanglin Paper Co., Ltd. on 22 September 2013. The court judged to draw the cash deposit of RMB22,000,000 out of the bank accounts of Fuzhou AoHai and to freeze advertising fee of up to RMB14,000,000 expected to be paid by Fuzhou AoHai and Kunming AoHai to Southeast Express and Lifestyle Express. The Group has subsequently appealed to Yueyang Intermediate People's Court against the court's decision together with other economic losses and damages on the reputation of the Group.

On 17 February 2014, the Yueyang Intermediate People's Court dismissed the application for a leave to appeal by the Group. As advised by the PRC legal counsel, the Group lodged an appeal to the Higher People's Court of Hunan Province (the "Higher People's Court") against the above-mentioned decision of the Yueyang Intermediate People's Court. An application is lodged to the Higher People's Court to dismiss the above-mentioned enforcement judgements and refund the improperly drawn amount of RMB22,000,000 to the Group.

According to the advice from the Group's PRC legal counsel, the 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 was made in respect of the deduction of RMB22,000,000 cash deposits and the freezing of up to RMB14,000,000 advertising fee payables as at 31 December 2013.

Human resources

As at 31 December 2013, the Group had approximately 854 full-time employees. Total staff costs including directors' remuneration for the year ended 31 December 2013 was approximately RMB78.5 million (2012: approximately RMB93.4 million). The Group offers competitive remuneration packages to employees, which 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 performance reviews, and determines the compensation structure of the Group's senior management.

The Company operates an employee share option scheme 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.

OUTLOOK

Looking forward to 2014, the PRC advertising industry is expected to grow steadily in a favorable government policy environment. Under the Twelfth Five-Year Plan, "advertising creation, advertising planning, advertising design and advertising production" are listed as supported industries in the Guidance Catalogue for Industrial Structure Adjustment (2011 Version). Furthermore, various supportive policies for small and micro cultural enterprises were promulgated at the 3rd Plenary Session of the 18th Central Committee of the Communist Party of China. Last year, the State Council announced a development target for the industry of a 20% annual average growth rate in information technology spending. This initiative is expected to spur the development of the related industries, particularly the newly emerging online shopping industry. We believe that the future growth of Internet and new media advertising will outpace that of traditional media advertising.

To fully capitalise on the robust development of new media, the Group will develop its online services business in a cautious and orderly manner while maintaining growth in its traditional media advertising business so as to realise online to offline integration, perfect its comprehensive advertising platform and offer more value-adding services to its clients. In order to optimise its customer portfolio, the Group will also actively explore the fast-moving consumer goods industry in view of its relatively high growth rate in terms of the number of advertisers and scale of business as compared with the traditional real estate and automobile industries. Along with the Group's brand name and comprehensive advertising platform, we have thus a solid foundation for our sustainable future through these initiatives.

DIVIDEND

The Board does not recommend payment of any dividend for the year ended 31 December 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 19 May 2014 to 21 May 2014, 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 (which will be relocated to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014) no later than 4:30 p.m. on 16 May 2014.

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 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, 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 2013 due to other business commitments. Instead, Mr. Zhang Tie Zhu, the executive director of the Company was appointed as the chairman of the annual general meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made with all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2013.

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 2013.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company did not redeemed any of its listed shares during the year ended 31 December 2013. 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 2013.

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 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, 28 March 2014

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.