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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 2015

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 2015 together with the comparative figures for the corresponding period in 2014.

The condensed consolidated interim financial information has not been audited, but has been reviewed by the Company's audit committee (the "Audit Committee").

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2015

	Note	**30 June 2015** *RMB'000* **Unaudited**	31 December 2014 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**32,061**	40,107
Intangible assets		**17,414**	18,150
Interests in associates	*4*	**–**	9,121
Prepayments, deposits and other receivables – net	*6*	**37,164**	25,294
		86,639	92,672
Current assets			
Inventories		**6,943**	6,560
Assets held for sale		**73,029**	78,191
Trade receivables – net	*5*	**36,815**	45,493
Prepayments, deposits and other receivables – net	*6*	**20,081**	22,273
Amounts due from related parties		**16,485**	24,364
Short-term bank deposits		**–**	5,000
Cash and cash equivalents		**14,120**	32,487
		167,473	214,368
Total assets		**254,112**	307,040
EQUITY			
Equity attributable to owners of the Company			
Share capital		**72,687**	72,687
Share premium		**556,440**	556,440
Other reserves		**65,577**	68,671
Accumulated deficits		**(535,517)**	(486,591)
		159,187	211,207
Non-controlling interests		**(7,772)**	(4,876)
Total equity		**151,415**	206,331

	Note	30 June 2015 RMB'000 Unaudited	31 December 2014 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**688**	688
Deferred income tax liabilities		**1,317**	1,475
		2,005	2,163
Current liabilities			
Trade payables	*7*	**6,569**	5,889
Other payables and accrued expenses		**48,602**	60,890
Bank borrowings	*8*	**14,701**	–
Current income tax liabilities		**30,073**	30,536
Amounts due to related parties		**747**	1,231
		100,692	98,546
Total liabilities		**102,697**	100,709
Total equity and liabilities		**254,112**	307,040
Net current assets		**66,781**	115,822
Total assets less current liabilities		**153,420**	208,494

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**41,749**	92,220
Cost of sales	*10*	**(43,496)**	(67,234)
Gross (loss)/profit		**(1,747)**	24,986
Selling and marketing expenses	*10*	**(9,598)**	(15,983)
General and administrative expenses	*10*	**(35,987)**	(68,151)
Other gains/(losses) - net	*9*	**14**	(11,792)
Other income	*9*	**1,520**	3,153
Operating loss		**(45,798)**	(67,787)
Finance income	*11*	**199**	741
Finance costs	*11*	**(313)**	–
Finance (costs)/income – net	*11*	**(114)**	741
Share of losses of associates	*4*	**(4,115)**	(859)
Provision for impairment of interests in associates	*4*	**(5,006)**	–
Loss before income tax		**(55,033)**	(67,905)
Income tax credit/(expense)	*12*	**117**	(2,163)
Loss and total comprehensive loss for the period		**(54,916)**	(70,068)

		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Loss attributable to:			
– Owners of the Company		**(52,020)**	(68,270)
– Non-controlling interests		**(2,896)**	(1,798)
		(54,916)	(70,068)
Total comprehensive loss attributable to:			
– Owners of the Company		**(52,020)**	(68,270)
– Non-controlling interests		**(2,896)**	(1,798)
		(54,916)	(70,068)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*13*	**(0.0619)**	(0.0813)
– Diluted (RMB per share)	*13*	**(0.0619)**	(0.0813)
Dividend	*14*	**–**	–

NOTES

1.1 General Information

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

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

This condensed consolidated interim financial information for the six months ended 30 June 2015 is unaudited but has been reviewed by the Audit Committee of the Company. This condensed consolidated interim financial information is presented in Renminbi (RMB), unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 28 August 2015.

Key events

With effect from 30 June 2015, an exclusive cooperative newspaper partner of the Group, Lifestyle Express, has ceased publication due to financial difficulties. In view of this, the Directors of the Company reviewed the Group’s ability to recover the carrying amounts of the long term investments and deposits, current prepayments and other receivables and provided for an impairment provision of RMB3,600,000 as at 30 June 2015, further details are given in Note 6.

1.2 Basis of preparation

This condensed consolidated interim financial information of ShiFang Holding Limited for the six months ended 30 June 2015 has been prepared in accordance with International Accounting Standards (“IAS”) 34, ‘Interim financial reporting’. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

1.3 Going concern

During the period ended 30 June 2015, the Group reported a net loss of RMB54,916,000 and had a net cash outflow from operating activities of RMB26,015,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Directors of the Company have assessed the appropriateness of adopting the going concern basis for the preparation of the condensed consolidated interim financial information for the period ended 30 June 2015. In order to improve the Group's financial position, the Directors of the Company have been implementing various measures as follows:

(1) On 6 March 2015, the Group has obtained a short-term bank borrowing facility of RMB20,000,000 where the drawdown of borrowings under this facility will require approval from the bank;

(2) the Group is taking active measures to control operating costs through various means, including streamlining the Group's operational structure, adjusting management remuneration and containing administrative expenditures;

(3) the Group is in on-going negotiations with key exclusive cooperative newspaper partners to reduce advertising costs and is in consideration to terminate cooperation contracts with newspaper partners that continued to be loss-making;

(4) the Group is maximising its efforts to liquidate its assets held for sale with a carrying amount of approximately RMB73,029,000 and

(5) the Group is considering to raise new capital by carrying out fund raising activities including but not limited to rights issue, open offer, placing of new shares and issuance of convertible notes.

The Directors of the Company have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 30 June 2015. The Directors of the Company are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operation and to meet its financial obligations as and when they fall due in the next twelve months from 30 June 2015. Accordingly, this condensed consolidated interim financial information has been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash inflows by successfully:

(i) securing bank or other sources of financing, including but not limited to the continuation of the mortgage loans up to their original maturity dates;

(ii) drawdown borrowings from the facility mentioned in (1) above as and when required;

(iii) implementing the operational plans and measures to control costs; and

(iv) generating and obtaining adequate cash flows from other sources.

Should the Group be unable to operate as a going concern, adjustments would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this condensed consolidated interim financial information.

1.4 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 2014, 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 to existing standards effective in 2015 but have no significant impact to the Group's results and financial position

- Amendments to IAS 19 regarding defined benefit plans. This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.

- Annual Improvement Project, "Annual Improvements 2010-2012 Cycle". These amendments include the following changes from the 2010-2012 cycle of the annual improvements project:

  - IFRS 2, "Share-based payment"

    The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition".

  - IFRS 3, "Business combinations" and consequential amendments to IFRS 9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets", and IAS 39, "Financial instruments – Recognition and measurement".

    The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

  - IFRS 8, "Operating segments"

    The standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

    - IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"

      Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

    - IAS 24, "Related Party Disclosures"

      The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

- Annual Improvement Project, "Annual Improvements 2011-2013 Cycle". These amendments include the following changes from the 2011-2013 cycle of the annual improvements project:

    - IFRS 3, "Business combinations"

      It clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement.

    - IFRS 13, "Fair value measurement"

      It clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

    - IAS 40, "Investment property"

      Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

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) New standards and amendments to standards 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 2015 and have not been early adopted:

- Amendment to IAS 1 "Disclosure initiative". The amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

  Although the amendments do not require specific changes, they clarify a number of presentation issues and highlight that preparers are permitted to tailor the format and presentation of the financial statements to their circumstances and the needs of users.

  The key areas addressed by the changes are as follows:

  - Materiality: an entity should not aggregate or disaggregate information in a manner that obscures useful information. An entity need not provide disclosures if the information is not material;

  - Disaggregation and subtotals: the amendments clarify what additional subtotals are acceptable and how they should be presented;

  - Notes: an entity is not required to present the notes to the financial statements in a particular order, and management should tailor the structure of their notes to their circumstances and the needs of their users;

  - Accounting policies: how to identify a significant accounting policy that should be disclosed;

  - Other comprehensive income from equity accounted investments: other comprehensive income of associates and joint ventures should be separated into the share of items that will subsequently be reclassified to profit or loss and those that will not.

- Amendments to IAS 16 and IAS 38 "Clarification of acceptable methods of depreciation and amortisation". The amendments clarify when a method of depreciation or amortisation based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate.

  The amendment to IAS 38 establishes a rebuttable presumption that amortisation of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:

  - where the intangible asset is expressed as a measure of revenue; or

  - where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- Amendments to IAS 16 and IAS 41 "Agriculture: bearer plants". The amendments change the reporting for bearer plants, such as grape vines, rubber trees and oil palms. Bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41. The produce on bearer plants will remain in the scope of IAS 41.

- Annual Improvement Project, "Annual Improvements 2012-2014 Cycle". The amendments include changes from the 2012-2014 cycle of the annual improvements project that affect 4 standards:

  - IFRS 5, "Non-current assets held for sale and discontinued operations"

    It clarifies that when an asset (or disposal group) is reclassified from "held for sale" to "held for distribution", or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. This means that the asset (or disposal group) does not need to be reinstated in the financial statements as if it had never been classified as "held for sale" or "held for distribution" simply because the manner of disposal has changed. It also explains that the guidance on changes in a plan of sale should be applied to an asset (or disposal group) which ceases to be held for distribution but is not classified as 'held for sale'.

- IFRS 7, "Financial instruments: Disclosures". There are two amendments:

  i) Service contracts

  If an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. It provides guidance about what is meant by continuing involvement. There is a consequential amendment to IFRS 1 to give the same relief to first time adopters.

  ii) Interim financial statements

  It clarifies the additional disclosure required by the amendments to IFRS 7, "Disclosure – offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

- IAS 19, "Employee benefits"

  It clarifies when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, not the country where they arise. The assessment of whether there is a deep market in high-quality corporate bonds is based on corporate bonds in that currency, not corporate bonds in a particular country. Similarly, where there is no deep market in high-quality corporate bonds in that currency, government bonds in the relevant currency should be used.

- IAS 34, "Interim financial reporting"

  It clarifies what is meant by the reference in the standard to "information disclosed elsewhere in the interim financial report". It also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

- Amendment to IAS 27 "Equity method in separate financial statements". The amendment allows entities to use equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associate or joint venture". The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture.

  A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.

- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities: applying the consolidation exception". The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

  The amendments to IFRS 10 clarify that the exception from preparing consolidated financial statements is available to intermediate parent entities which are subsidiaries of investment entities. The exception is available when the investment entity parent measures its subsidiaries at fair value. The intermediate parent would also need to meet the other criteria for exception listed in IFRS 10.

  The amendments also clarify that an investment entity should consolidate a subsidiary which is not an investment entity and which provides services in support of the investment entity's investment activities, such that it acts as an extension of the investment entity. However, the amendments also confirm that if the subsidiary is itself an investment entity, the investment entity parent should measure its investment in the subsidiary at fair value through profit or loss. This approach is required regardless of whether the subsidiary provides investment-related services to the parent or to third parties.

  The amendments to IAS 28 allow an entity which is not an investment entity, but has an interest in an associate or a joint venture which is an investment entity, a relief to retain the fair value measurement applied by the investment entity associate or joint venture, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture for their subsidiaries when applying the equity method.

- Amendment to IFRS 11 "Accounting for acquisitions of interests in joint operation". The amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a "business" (as defined in IFRS 3, Business combinations. Specifically, an investor will need to:

  - measure identifiable assets and liabilities at fair value;

  - expense acquisition-related costs;

  - recognise deferred tax; and

  - recognise the residual as goodwill.

  All other principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained.

- IFRS 9, "Financial Instruments". IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39.

- IFRS 14, "Regulatory deferral accounts". IFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

  IFRS 14 permits eligible first-time adopters of IFRS to continue their previous GAAP rate-regulated accounting policies, with limited changes. IFRS 14 requires separate presentation of regulatory deferral account balances in the balance sheet and of movements in those balances in the statement of comprehensive income. Disclosures are required to identify the nature of, and risk associated with, the form of rate regulation that has given rise to the recognition of regulatory deferral account balances.

- IFRS 15 “Revenue from Contracts with Customers”. IFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control.

  IFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

  IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

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.

1.5 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 2014.

2 Segment information

The Executive Directors have been identified as the chief operating decision maker ("CODM"). Management determined the operating segments based on the information reviewed by the CODM 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

Revenue from external customers is 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.

Analysis of the revenue by category is as follows:

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising	**28,172**	68,307
Online services	**735**	1,793
Marketing, distribution management, consulting and printing services, and outdoor advertising services and activities	**12,842**	20,389
Television and radio advertising	**–**	1,731
	41,749	92,220

4 Interests in associates

	Six months ended 30 June 2015 *RMB'000* Unaudited	Six months ended 30 June 2014 *RMB'000* Unaudited
Balance at the beginning of the period	**9,121**	59,993
Share of post-tax losses	**(4,115)**	(859)
Provision for impairment of interests in associates	**(5,006)**	–
Balance at the end of the period	**–**	59,134

As at 30 June 2015, the carrying amount of the Group's interests in associates represented its 34% equity interest in Skybroad International Limited ("Skybroad") and its 30% equity interest in Beijing HanDing Advertisement Co., Limited ("Beijing HanDing"). The Group's interest in Skybroad includes a quasi-equity loan of RMB680,000 to Skybroad, which is unsecured and interest-free.

Interests in associates are reviewed for impairment whenever events or changes in circumstances indicate there may be diminution in the associates' value. Impairment tests were performed by comparing the attributable carrying amounts of the interests in associates with the recoverable amounts for the six months period ended 30 June 2015.

Full impairment provision of RMB282,000 during the period ended 30 June 2015 was made for Beijing HanDing after the management has assessed the business performance and the significant diminution of a key revenue stream for the associate.

For Skybroad, impairment provision totalling RMB4,724,000 was recognised in view of the decline in revenue due to competition from incumbent competitors in the voice over internet protocol industry and the loss of major customers for the business during the period ended 30 June 2015.

Skybroad and Beijing HanDing are private companies and there are no quoted market price available for their shares. There are no contingent liabilities relating to the Group's interests in Skybroad and Beijing HanDing.

5 Trade receivables – net

	As at 30 June 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
Trade receivables	**77,250**	83,904
Less: provision for impairment of trade receivables	**(40,435)**	(38,411)
Trade receivables – net	**36,815**	45,493

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 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
1 – 30 days	**3,663**	8,739
31 – 60 days	**6,022**	7,609
61 – 90 days	**4,018**	4,263
91 – 180 days	**7,184**	20,258
181 – 365 days	**23,389**	19,901
Over 1 year	**32,974**	23,134
	77,250	83,904
Less: provision for impairment on trade receivables	**(40,435)**	(38,411)
Trade receivables – net	**36,815**	45,493

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

As at 30 June 2015, trade receivables of RMB11,394,000 (31 December 2014: RMB6,380,000) were past due but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of defaults and the repayment periods are consistent with the Group's practice.

As at 30 June 2015, trade receivables of RMB40,435,000 (31 December 2014: RMB38,411,000) were impaired and provided for. For the six months ended 30 June 2015, the amounts of the provision charged to the interim condensed consolidated statement of comprehensive income was RMB2,024,000 (30 June 2014: reversal of provision on trade receivable credit was RMB774,000).

The provision was made as management has determined that the ability of the debtors to repay the trade receivables has deteriorated. This provision amount was determined in line with the Group's policies and historical practice, where management has reviewed the relevant debtors' current creditworthiness and past payment history.

For the six months ended 30 June 2015, trade receivables of RMB699,000 were directly written-off to the interim condensed consolidated statement of comprehensive income (30 June 2014: Nil).

6 Prepayments, deposits and other receivables – net

	As at 30 June 2015 *RMB'000* **Unaudited**	As at 31 December 2014 *RMB'000* Audited
Non current portion		
Prepayment for long term investments	**173,000**	173,000
Prepayment for acquisition of a property	**22,164**	6,694
Deposits to newspaper publishers	**92,000**	92,000
	287,164	271,694
Less: provisions for impairment *(note (i))*	**(250,000)**	(246,400)
Prepayments, deposits and other receivables – net	**37,164**	25,294
Current portion		
Prepayments to newspaper publishers and others	**243,236**	243,542
Deposits and other receivables	**46,063**	47,949
Receivable from Yueyang City Intermediate People's Court	**–**	22,000
	289,299	313,491
Less: provisions for impairment *(note (i))*	**(269,218)**	(291,218)
Prepayments, deposits and other receivables – net	**20,081**	22,273

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

Movements of carrying values before provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables as at 30 June 2015 were as follows:

	Shenyang Evening News	Yueyang City Intermediate People's Court	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	–	201,501	235,281
Deposits and other receivables	10,000	22,000	23,937	55,937
Less: disposal of subsidiaries	–	(22,000)	–	(22,000)
Balance as at 30 June 2015	43,780	–	490,438	534,218

As at 30 June 2015, provisions for impairment of long term investments, long term deposits, prepayments, and deposits and other receivables included provisions for exclusive cooperative newspaper publishers of RMB475,438,000 and Shenyang Evening News of RMB43,780,000. Movements of the provisions for impairment were as follows:

	Shenyang Evening News	Yueyang City Intermediate People's Court	Three metropolitan newspaper publishers	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at 1 January 2015	43,780	22,000	471,838	537,618
Provisions for impairment during the period	–	–	3,600	3,600
Less: disposal of subsidiaries	–	(22,000)	–	(22,000)
Balance as at 30 June 2015	43,780	–	475,438	519,218

(a) ***Shenyang Evening News***

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 probable outcome of the pending litigation with Shenyang Evening News, and made full provision of these amounts in prior years.

(b) ***Yueyang City Intermediate People's Court***

On 17 February 2014 and on 28 April 2014, the Yueyang City Intermediate People's Court and Higher People's Court of Hunan Province respectively dismissed the appeal application by the Group against the enforcement orders issued by Yueyang City Intermediate People's Court. An appeal application was lodged to the Supreme People's Court to dismiss the above-mentioned enforcement orders and to refund the improperly drawn bank balances of RMB22,000,000 to the Group.

The Directors considered the above developments, the amount drawn by Yueyang City Intermediate People's Court pursuant to the aforementioned enforcement orders and the probable outcome of the pending litigation and determined to make full provision for the amount of RMB22,000,000 in prior years.

Impairment provision for the receivables from Yueyang City Intermediate People's Court was disposed along with the disposal of a subsidiary by the Group on 12 May 2015.

(c) ***Three metropolitan newspaper publishers***

As at 30 June 2015, prepayments, deposits and other receivables totalling RMB490,438,000 (31 December 2014: 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 amount of the prepayment for long term investments and deposits, current prepayments and other receivables made to the metropolitan newspaper publishers and provided for an impairment provision of RMB475,438,000 (31 December 2014: RMB471,838,000) as at 30 June 2015.

Prepayments and other receivables were measured at amortised cost and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable.

In view of Lifestyle Express's cessation of publication from 30 June 2015 due to financial difficulties, the Directors reviewed the recoverable amount of the prepayment for long term investments made to Lifestyle Express, which included the probable formation of the joint venture and the present value of the future net cash receipts generated between the Group's cooperation with Lifestyle Express and made full provision for the remaining balance of long term investments made to Lifestyle Express amounting to RMB3,600,000.

The Group has assessed the recoverability of other prepayments and other receivables made to the remaining metropolitan newspaper publisher and made no additional impairment provision during the period.

7 Trade payables

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**6,569**	5,889

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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**1,703**	1,294
31 – 90 days	**1,448**	702
Over 90 days	**3,418**	3,893
	6,569	5,889

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

8 Bank borrowings

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Bank borrowings – current *(Note (i))*	**14,701**	–

Notes:

(i) During the period ended 30 June 2015, the Group obtained mortgage loans amounting to RMB15,470,000 to finance the Group's acquisition of a property. Transaction costs directly attributable to mortgage loans amounted to RMB35,000. The mortgage loans were drawn on 27 February 2015 and a further prepayment of RMB15,470,000 was made by the Group to Xiamen Information Group Ltd. for the property. The mortgage loans are secured by the ownership rights of the property and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group. Total consideration for the property is RMB22,164,000, of which the initial down payment of RMB6,694,000 was paid by the Group before 31 December 2014.

As at 30 June 2015, the mortgage loans were classified as current liabilities due to the related loan agreements containing a repayment on demand clause which gives the bank unconditional right to call the loans at any time. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest of 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the period is 7.15% per annum.

(ii) The Group has the following undrawn borrowing facilities:

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Floating rate:		
– expiring within one year	**20,000**	–

On 6 March 2015, the Group obtained a short-term bank facility where the Group can draw borrowings of up to RMB20,000,000 under this facility and each drawdown will require approval from the bank. Each drawdown of the bank facility shall be secured by the personal guarantee of Chen Zhi, executive director and CEO of the Group, and/or certain assets held by a wholly-owned subsidiary of the Group, at the discretion of the bank. The facility will expire on 5 March 2016.

9 Other income and other gains/(losses) – net

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Other income:		
Sale of newsprint papers	**171**	385
Sale of scrap material	**–**	62
Government grants	**1,235**	2,570
Sundry income	**114**	136
	1,520	3,153
Other gains/(losses) – net:		
Gains/(losses) on disposals of subsidiaries	**14**	(212)
Provision for administrative penalty on foreign exchange	**–**	(11,580)
	14	(11,792)

10 Expenses by nature

	Six months ended 30 June 2015 *RMB'000* **Unaudited**	Six months ended 30 June 2014 *RMB'000* Unaudited
Cost of newspaper advertising		
– Media costs	**28,167**	51,995
Cost of marketing and promotion services	**7,942**	6,814
Cost of online services	**515**	1,059
Cost of television and radio advertising		
– Media costs	**–**	697
Cost of distribution management, consulting, printing services, and outdoor advertising services and activities:		
– Raw material	**1,751**	1,264
– Media costs	**1,288**	1,263
– Other costs	**48**	1,073
Depreciation	**4,515**	5,119
Amortisation	**685**	2,302
Auditors' remuneration	**1,006**	1,177
Operating lease charges in respect of land and buildings	**2,734**	2,517
Net loss/(gain) on disposal of property, plant and equipment	**1,815**	(67)
Provision for/(reversal of) impairment on trade receivables *(Note 5)*	**2,024**	(774)
Write-off of trade receivables *(Note 5)*	**699**	–
Provision for impairment of other receivables	**3,600**	22,000
Loss on disposal of assets held for sale	**1,547**	214
Net foreign exchange gain	**(24)**	(50)
Employee benefit expenses (including directors' emoluments)	**29,217**	36,517
Business tax	**816**	928

11 Finance (costs)/income – net

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**199**	741
Finance costs:		
– Interest expense on bank borrowings	**(313)**	–
Finance (costs)/income – net	**(114)**	741

12 Income tax (credit)/expense

	Six months ended 30 June 2015	Six months ended 30 June 2014
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax		
PRC enterprise income tax		
– Current tax	**41**	2,686
Deferred income tax	**(158)**	(523)
	(117)	2,163

13 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2015 and 2014 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the periods.

	Six months ended 30 June 2015 Unaudited	Six months ended 30 June 2014 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(52,020)**	(68,270)
Weighted average number of shares in issue *(thousands)*	**839,942**	839,942
Basic loss per share *(RMB per share)*	**(0.0619)**	(0.0813)

(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 2015, the Company had no potential dilutive ordinary shares outstanding. For the six months ended 30 June 2014, 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 period was anti-dilutive.

14 Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

Influenced by complicated domestic and external economic conditions and the growing downward pressure on the economy in China, economic growth slowed further to 7% in the first half of 2015, the lowest rate in the last six years. The property market, in particular, remained shaky with abundant supply in medium and small cities as investment sentiment remained conservative among developers. Housing starts for the first half of the year fell by 15.8% period-on-period, while the amount of land acquired by developers dropped by 33.8% period-on-period. On the other hand, the "Internet Plus" strategy implemented by the Chinese government is having a profound impact on our day-to-day modes of production and lifestyles and is affecting traditional industries materially. Advertising strategies of advertisers have been altered by the rapid development of online new media and the industry is undergoing structural reforms.

The development of the advertising industry, in general, is highly susceptible to the overall atmosphere of the economy, and the sentiment of the general public and investors. According to the China Advertising Market Analysis Report for January-June 2015 published recently by the newspaper branch of the China Advertising Association and CVSC – TNS Research (CTR), the entire traditional media advertising sector continued to shrink. Specifically, the segments of television (TV) advertising, radio advertising and outdoor advertising contracted by 3.4%, 2.9% and 1.1%, respectively, while newspaper advertising recorded the sharpest decline of 32.1% period-on-period. These figures clearly indicate that in the first half of 2015, the traditional media advertising markets dwindled across the board. Newspaper advertising continued to decline with lower spending on publication advertising. In the face of the substantial shrinkage of the general traditional print media market, the Group's newspaper advertising agency business, which remained the Group's largest source of revenue, continued to be hard hit and continued to face market challenges.

Business review

The slowdown in China's economic development and the growing operating pressure on certain industries have been reflected in the decreasing advertising spending by the said industries, thereby posing challenges for the operating environment of the Group in the first half of 2015. In view of the continuous switch to online new media from print media as a platform for advertising, and the reduction in advertising spending certain industries such as the property industry, advertising revenue from newspaper advertising, online services, total marketing and TV advertising dropped. For the six-month period ended 30 June 2015 (the "Period"), the Group recorded revenue of approximately RMB41.7 million from its core businesses, representing a decline of 54.8% as compared to the corresponding period in 2014. Gross loss for the Period was approximately RMB1.7 million (gross profit for the first half of 2014: RMB25.0 million). The Group's net loss after tax for the Period amounted to approximately RMB54.9 million, which was an improvement from the net loss after tax for the first half of 2014 of approximately RMB70.1 million. This was mainly attributable to a significant year-on-year drop of 40.0% in selling and marketing expenses from RMB16.0 million to RMB9.6 million for the Period as well as a large reduction in administrative expenses of 47.2% from RMB68.2 million to RMB36.0 million due to the decrease in the impairment provision for prepayments, deposits and other receivables during the Period. In response to the growing market challenges and the changing operating environment, the Group implemented stringent cost control by adjusting its business model and development approach with the goal of future development. The Group also streamlined its structure, better utilised its resources and further centralised its resources and operations during the Period.

Consolidating client base and expanding into new markets with innovative services

Given the emergence of mobile internet advertising and a shift in consumer needs, the traditional media segment of the Chinese advertising market faced significant challenges in the first half of 2015. During the Period, the Group took the initiative to provide refined solutions with value-added services to its newspaper clients to penetrate other advertising platforms such as online new media. In the meantime, the Group continued to innovate and strives to capture greater market share in the enormous mobile user market in China in order to strengthen its media coverage. The Group aims to seize development opportunities brought on by the continuous rapid growth of online new media. In addition, the Group also strives to develop various media advertising channels so as to become a comprehensive multi-channel total marketing solution provider by providing all-round advertising solutions to the clients with the Group's diversified online and offline media resources in the future.

Investment sentiment did not fully revive in the first half of the year owing to the slower-than expected growth of the overall Chinese economy and, in particular, the credit tightening in the real estate industry. Under such circumstances, the Group's traditional advertising business was unavoidably affected. Nevertheless, owing to the operational resources accumulated by the Group and the healthy relationships with clients over the years, the Group managed to maintain a stable clientele during the period under review, despite the fact that advertisers have placed less reliance on newspaper advertising. Moreover, the Group is committed to improving its services by tracking and analysing the consumption behaviour of readers, with the aim of expanding the Group's client base with innovative advertising solutions that encompass new technologies and online new media. During the period under review, the Group's business restructuring was at a stage of adjustment and development, and such restructuring plans are aimed at making contributions to the foundation of the Group's future business.

Newspaper Advertising

In recent years, the exponential growth of online new media advertising and web-based mobile advertising channels has diminished advertising spending and volume on traditional print media. Despite the minimal changes in the Group's clientele of traditional print media, the traditional media advertising segment, nonetheless, saw a drop in revenue as it, suffered from competition from the online new media and the drop in spendings. Furthermore, the Group has been establishing a platform to integrate its traditional print media and online new media businesses. As this new initiative is currently at its investment stage and the new technology is only being tested before officially going online, revenue contribution for the Period was limited. As a result of the above factors, the Group recorded revenue from newspaper advertising of RMB28.2 million for the Period, down by a significant 58.7% period-on-period. Revenue from marketing and promotion for real estate agencies for the Period was RMB8.2 million, representing a drop of 27.4% period-on-period. Despite the drop in revenue, the newspaper advertising business remained one of the Group's principal businesses and accounted for approximately 67.6% of the Group's total revenue, a drop from 74.1% for the corresponding period last year.

Furthermore, a media partner of the Group, Lifestyle Express, announced that it will cease publication beginning from 30 June 2015 due to financial difficulties. This is expected to significantly impact the Group's revenue. As at 30 June 2015, the Group had four media partners, including Southeast Express, Central Guizhou Morning Post, Xiamen Evening News and City Lifestyle Weekly. The Group's operations span more than four second– and third-tier cities across three provinces in China.

Online Services

Premier Li Keqiang of the State Council of China unveiled the "Internet Plus" strategy in his Government Work Report for 2015. He reiterated that the government must strengthen the penetration of internet technology into existing economic sectors in order to enhance economic efficiency and achieve sustainable growth. Premier Li also urged the relevant authorities to "improve network speeds" and "lower internet fees" in order to support the development of the internet. Against the backdrop of this policy initiative, mobile internet has been on the rise in terms of user coverage and has become a key source of information for the public. The Group believes that the mobile network and the internet present enormous business opportunities and will be the key drivers of future growth in the advertising industry. To take advantage of the huge market demand from such development trends, the Group is continuously refining its business structure by diverting resources from less profitable segments to online services so as to achieve business transformation by integrating old and new technologies from traditional and online new media businesses, respectively. In the first half of 2015, such projects were still at the investment stage. The Group aims to increase the share of the mobile internet business to 50% in the future. The Group's online services continue to consist mainly of Cloud Call technology, Duk (www.duk.cn) and DNKB (www.dnkb.com.cn). The Group has further established its new internet media platforms with technologies and channels that complement the traditional media in terms of resources and technological standards so as to realise the integration of its online and offline businesses.

For the period under review, the Group's developing internet media platforms were still at the establishment and investment stages, while the competition in the online services and digital media industry intensified. As a result, the performance of the online services business fell short of expectations in the first half of 2015 with revenue of RMB0.7 million, representing a decrease of 61.1% as compared to the corresponding period last year. Gross profit was RMB0.2 million, down by 71.4% as compared to the corresponding period last year. However, the Group has high hopes for the development prospect of its online media business, and will seek suitable partners in the establishment of comprehensive multi-media platforms to achieve business transformation, to shift the focus of its business to mobile internet operations, to expand its market share and to increase its long term profitability.

During the period under review, Duk, which is owned by the Group, had online cooperative publishing rights with over 300 publishers, 860 magazine publishers and 5,000 magazines, as well as digital cooperative publishing rights with 17 metropolitan daily, evening and commercial newspapers, making it one of the largest digital media publishing platforms in China. The Group maintained paid subscriptions and a profit-sharing system with licensors and witnessed an increase in the number of active website members. The Group will continue to foster its online services operation and seize additional market share. As for e-magazine publishing, the Group will carry on strengthening the technical capabilities of its digital platform and speed up the restructuring of its service team in order to keep up with the rapidly-developing mobile internet market.

As part of the restructuring process, the Group will actively launch new and integrated versions of Duk, which will become an essential part of the internet cloud platform for the Group. By cooperating with third-party digital platforms, the Group aims to establish marketing channels for institutional users. Duk will also strive to become an information and servicing website, and will promote the concept of city directories in order to explore more business opportunities and enlarge its readership. Duk will concentrate on developing a one-on-one service and marketing model for advertisers with its events and promotional spaces. To enlist business partners/clients, Duk will make the enhancement of marketing effectiveness its top priority. Furthermore, it will offer more highly readable leisure and entertainment content to raise its value.

DNKB also upgraded the technological capabilities of its existing products during the period under review in accordance with the latest market developments. It has already launched its own mobile application, which has been tested online, with promising results in terms of the number of advertisers and operating revenue. With a clearer separation of the healthcare, travel, automobile and property sections, the links will be more user-friendly and will greatly enhance the value of DNKB, and will also encourage interaction with publishers, netizens and readers. In addition, DNKB has successfully rolled out a new marketing model with graphics, stories and videos tailored for events such as car shows.

During the Period, the Group has continued to refine the Cloud Call system. However, the operating revenue of Cloud Call has yet to reach the targets set by the Group as the development of the system has been hampered by the growing market competition resulted from the remarkable growth of other mobile service operators. To counter such difficulties, the Group has actively expanded its membership base by rolling out free downloads of Cloud Call, thereby boosting the number of registered members to over 8 million and the number of address book entries uploaded to over 400 million.

The overall performance of Fangke Web (www.fangke.cc), the Group's advertising platform operated by Fujian Fangke Network Technology Corporation Limited mainly for the property market, was unsatisfactory due to the general economic slowdown in China and the slide in property sales. Nonetheless, Fangke Web remained one of the development focuses of the Group's online business. Being an advocate and forerunner of new business marketing models for the property industry, Fangke Web will continue to focus on resource integration, brand-building, and research and development of electronic business platforms for the property sector. It offers comprehensive industry information, integrated marketing services, and business applications to players in the property sector. Key features of Fangke Web include a property information portal, an online property selling system, an online agency system, an agency software named "Agency Finder" and management software for property selling.

In the areas of online services and mobile internet, the Group has built up a strong and comprehensive hi-tech product portfolio with continuous business integration and technological developments. The Group has developed several end-user applications and a number of products, collected and classified numerous databases, rolled out practical products, and developed an integrated servicing, sale and turnkey business model based on the original print media sales system. The Group has also established the necessary technological and product support for the development of ShiFang's cloud computing platform.

Marketing, Distribution Management, Consulting and Printing Services

During the period under review, the marketing, distribution management, consulting and printing services business was significantly impacted by its narrow client base and the emergence of new media. Furthermore, the paper-based printing operation was dealt with by a huge blow from the cessation of one of the Group's media partners on 30 June this year due to financial difficulties. As a result, revenue from this segment for the period under review fell by 37.3% to RMB12.8 million and accounted for 30.7% of the Group's total revenue.

The Group will continue to sell newspaper advertising space and provide integrated services in addition to offering additional services such as printing, distribution management, consulting and marketing advice to some of its newspaper partners under the existing exclusive cooperation contracts with them. In relation to distribution and management services, the Group continued to provide comprehensive services for Southeast Express. In the printing services business, the Group's two factories located in Fuzhou and Guizhou operated smoothly and printed Southeast 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. As one of our media partners ceased publication, the factory in Kunming will cease to provide related printing service to the media partner. Nonetheless, the Group will carry on with its stringent quality control of the printing of its publications and ensure the quality and attractiveness of its advertisements, thus helping the Group strengthen the close cooperative relationships with its media partners.

Meanwhile, by leveraging its own resources and the established technologies developed by Fangke Web, the Group continued to deepen its cooperation with clients by offering a full range of professional marketing solutions along with its property marketing planning services. Unfortunately, this business faced immense challenges in the first half of 2015 as sales of its target market, namely the property market, slipped as a result of the macro-economic slowdown. During the Period, fees and commissions from the Group's marketing and promotion services provided to real estate projects, together with the revenue from Fangke Web, amounted to RMB8.7 million. The Group is now actively restructuring this segment accordingly.

Television and Radio Advertising

To further streamline the Group's organisational structure and to concentrate its resources on other businesses with better potential, the Group disposed of its entire equity interests in two indirectly wholly-owned subsidiaries, Fuzhou AoHai and GuangXi ShiFang, for an aggregate cash consideration of RMB20,000 during the period under review.

Due to the disposal of GuangXi ShiFang, the Group currently does not hold any co-operative relationships with any television and radio station partners. As a result, the Group's television and radio advertising revenue decreased from RMB1.7 million to nil during the Period.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 54.8% from RMB92.2 million for the six months ended 30 June 2014 to RMB41.7 million for the six months ended 30 June 2015, primarily because of the slowdown in domestic economic growth due to a variety of factors, thereby posing downward pressure on the total revenue. Furthermore, due to the restructuring of the real estate industry, 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 RMB68.3 million for the six months ended 30 June 2014 to RMB28.2 million for the six months ended 30 June 2015 and revenue from marketing, distribution management, consulting and printing services, and outdoor advertising services and activities shrank from RMB20.4 million for the six months ended 30 June 2014 to RMB12.8 million for the six months ended 30 June 2015.

Gross (loss)/profit

The Group recorded gross loss of RMB1.7 million for the six months ended 30 June 2015, while gross profit was RMB25.0 million for the six months ended 30 June 2014. The decrease was mainly attributable to the adjustment to the diminution of revenue and unsatisfactory containment of costs for newspaper advertising and printing services.

Other income

Other income decreased by 53.1% from RMB3.2 million for the six months ended 30 June 2014 to RMB1.5 million for the six months ended 30 June 2015, primarily due to the decrease in income from government grants.

Other gains/(losses) – net

The Group recorded other gains of RMB14,000 for the six months ended 30 June 2015, while other losses of RMB11.8 million were recorded for the six months ended 30 June 2014. The significant reduction in other losses was mainly due to non-recurring provision made for legal claims related to the administrative foreign exchange policy imposed by Fujian Province Branch of the State Administration of Foreign Exchange for the comparative period.

Selling and marketing expenses

Selling and marketing expenses decreased by 40.0% from RMB16.0 million for the six months ended 30 June 2014 to RMB9.6 million for the six months ended 30 June 2015 mainly due to decline in revenue during the period.

General and administrative expenses

General and administrative expenses decreased by 47.2% from RMB68.2 million for the six months ended 30 June 2014 to RMB36.0 million for the six months ended 30 June 2015, mainly due to a decrease in impairment provisions made for the other receivables and the streamlining of structure and manpower.

Income tax credit/(expense)

The Group recorded income tax credit of RMB0.1 million for the six months ended 30 June 2015 as compared to income tax expenses of RMB2.2 million was recorded for the six months ended 30 June 2014 mainly due to a decrease in taxable income for the period.

Results for the period

The Group recorded a net loss of RMB54.9 million for the six months ended 30 June 2015 mainly attributable to diminution in revenue and unsatisfactory containment of cost of sales during the period.

Liquidity and capital resources

	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(26,015)**	(30,994)
Net cash (used in)/generated from investing activities	**(7,053)**	13,138
Net cash generated from financing activities	**14,701**	–
Net decrease in cash and cash equivalents	**(18,367)**	(17,856)
Cash and cash equivalents at beginning of the period	**32,487**	53,911
Cash and cash equivalents at end of the period	**14,120**	36,055

Cash flow used in operating activities

For the six months ended 30 June 2015, net cash used in operating activities amounted to RMB26.0 million, this is primarily attributable to the net loss for the period amounting to RMB54.9 million.

Cash flow used in investing activities

For the six months ended 30 June 2015, net cash used in investing activities amounted to RMB7.1 million, resulting primarily from cash released from short-term bank deposits of RMB5.0 million offset by prepayment paid for acquisition of a property of RMB15.5 million.

Cash flow generated from financing activities

For the six months ended 30 June 2015, net cash generated from financing activities resulted primarily from mortgage loans drawn by the Group to finance the Group's acquisition of a property.

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 RMB0.3 million and RMB1.2 million for the six months ended 30 June 2015 and 30 June 2014, 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 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis of trade receivables		
1 – 30 days	**3,663**	8,739
31 – 60 days	**6,022**	7,609
61 – 90 days	**4,018**	4,263
91– 180 days	**7,184**	20,258
181 – 365 days	**23,389**	19,901
Over 1 year	**32,974**	23,134
	77,250	83,904
Less: provision for impairment on trade receivables	**(40,435)**	(38,411)
Trade receivables – net	**36,815**	45,493

The Group's trade receivables decreased by 19.1%, from RMB45.5 million as at 31 December 2014 to RMB36.8 million as at 30 June 2015. Such decrease was mainly attributable to decrease in revenue and collection of trade receivable balances during the period.

Trade payables

	As at 30 June 2015 *RMB'000* Unaudited	As at 31 December 2014 *RMB'000* Audited
Aging analysis of trade payables		
1 – 30 days	**1,703**	1,294
31 – 90 days	**1,448**	702
Over 90 days	**3,418**	3,893
	6,569	5,889

The Group's trade payables increased by 11.9%, from RMB5.9 million as at 31 December 2014 to RMB6.6 million as at 30 June 2015, this was primarily attributable to the lengthening of settlement periods of payable balances for the current period.

Indebtedness

Indebtedness consists of obligations to lenders, including commercial banks and certain related parties and companies.

On 29 January 2015, the Group obtained mortgage loans amounting to RMB15,470,000 to finance the Group's acquisition of a property. The mortgage loans were drawn on 27 February 2015 and a prepayment of RMB15,470,000 was made by the Group to Xiamen Information Group Ltd. for the property. The mortgage loans are secured by the ownership rights of the aforesaid property and the personal guarantee of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group.

Additionally, the Group has obtained a bank borrowing facility of RMB20,000,000 on 6 March 2015, which was undrawn during the period ended 30 June 2015. The facility will be expired on 5 March 2016.

Gearing ratio increase from 0.0% as at 31 December 2014 to 5.8% as at 30 June 2015.

Capital commitments

(a) Commitment for exclusive cooperative agreements

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

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**1,800**	63,800
Later than 1 year and not later than 5 years	**900**	227,000
Later than 5 years	**–**	795,000
	2,700	1,085,800

(b) Other capital commitments

	As at 30 June 2015	As at 31 December 2014
	RMB'000	*RMB'000*
	Unaudited	Audited
Non-cancellable purchase of a property	**–**	15,470
	–	15,470

Contingent liabilities

The Group follows the guidance of IAS 37 "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.

A subsidiary of 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 subsidiary for, among others, a total sum of RMB17,328,767 being the outstanding advertising fees payable by the subsidiary to Shenyang Media Corporation (the "Case 1").

On 22 December 2011, the subsidiary 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, 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 (the "Case 2") to the subsidiary.

On 8 March 2012, the subsidiary 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 subsidiary 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 subsidiary received a judgement of first instance awarded by the Shenyang Intermediate People's Court in relation to Case 1. It was ruled that the subsidiary shall 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 subsidiary has lodged an appeal to the Higher People's Court to seek to revoke the judgement of first instance in due course.

On 27 December 2012, Higher People's Court 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 ruled ("Case 1"). On 25 June 2013, the Shenyang Intermediate People's Court commenced the retrial of the case.

On 5 December 2013, a civil judgement was issued by the Supreme People's Court in relation to Case 2. It was ruled that the civil judgement dated 8 March 2012 by the Higher People's Court be dismissed, and that the case be handled by the Higher People's Court.

On 5 May 2014, a civil judgement was issued by Shenyang Intermediate People's Court. It was ruled the subsidiary shall pay Shenyang Media Corporation the advertising agency fee of RMB17,250,398. As advised by PRC legal counsel, the subsidiary has filed an appeal against the civil judgement to the Higher People's Court.

On 15 October 2014, the hearing at the Higher People's Court commenced for Case 2. After seeking legal consultation, the management believes that it is not probable that this litigation would result in any material outflow of economic benefits from the Group.

On 4 December 2014, the subsidiary received a civil judgement of (2014) Liao Min Er Zhong Zi no. 00170 ((2014) 遼民二終字第00170號) dated 26 November 2014 issued by the Higher People's Court which dismissed the appeal by the subsidiary to uphold the original judgement made by the Intermediate People's Court for Case 1, which ordered the subsidiary to pay to Shenyang Media Corporation advertising agency fees in the sum of RMB17,250,398. The judgement was the final judgement of the Higher People's Court and an enforcement order was placed to freeze the bank balances of Liaoning Aohai amounting to RMB1,797,906. Maximum value of the freezing order is RMB17,250,398 and management has accordingly made an provision of RMB17,250,398 during the year ended 31 December 2014. As advised by the PRC legal counsel, the subsidiary filed an application for retrial to the Supreme People's Court on 30 December 2014.

On 23 April 2015, the subsidiary received an enforcement order (2015) Chen Zhong Zhi Zi no. 159 ((2015)沈中執字第159號) issued by the Intermediate People's Court for Case 1 which drew the frozen bank balances of Liaoning Aohai amounting to RMB1,797,906. On 20 May 2015, the Supreme People's Court received the subsidiary's application and a hearing was held on 20 August 2015 to determine whether a retrial will be held. The Group is currently awaiting the judgement of the Supreme People's Court.

With reference to the legal opinion, management believes economic outflow arising from the litigation is limited to Liaoning Aohai, and the litigation would not result in material outflow of economic benefits from other subsidiaries of the Group.

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.

(b) Enforcement order issued by Yueyang City Intermediate People's Court against the Company and certain wholly-owned Group subsidiaries

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, the Yueyang Intermediate People's Court ruled that in view of intentional transfer of assets among Southeast Express, Lifestyle Express, the Company and certain wholly-owned Group subsidiaries, the court froze the bank balances of the Company and the aforementioned subsidiaries, which included 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 Company and the subsidiaries appealed to the Yueyang Intermediate People's Court against the Freezing Order. The Freezing Order was revoked on 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 of Hunan Province dismissed the appeal application by Yueyanglin Paper Co., Ltd.

However, Yueyang Intermediate People's Court issued two enforcement judgements in favour of Yueyanglin Paper Co., Ltd. on 22 September 2013. The court ruled 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 Company and the subsidiaries have subsequently raised an objection to the enforcement judgement to the Yueyang Intermediate People's Court against the court's decision together with other economic losses and damages on the reputation of the Company and the subsidiaries.

On 17 February 2014, the Yueyang Intermediate People's Court dismissed the objection application by the Company and the subsidiaries. As advised by the PRC legal counsel, the Company and the subsidiaries have lodged a review application to the Higher People's Court of Hunan Province (the "Higher People's Court") against the implementation of the above-mentioned decision of the Yueyang Intermediate People's Court. The application is lodged to the Higher People's Court to dismiss the above-mentioned enforcement judgements and return the improperly drawn bank balances of RMB22,000,000 to the subsidiaries.

On 28 April 2014, the Higher People's Court of Hunan Province dismissed the implementation review application by the Company and the subsidiaries. As advised by the PRC legal counsel, an application for execution monitoring was lodged to the Supreme People's Court to dismiss the above-mentioned enforcement judgements and refund the improperly drawn bank balances of RMB22,000,000 to the subsidiaries. The case is currently being examined by the court and is pending judgement.

To facilitate the streamlining of the Group's structure, Fuzhou AoHai and Kunming AoHai were separately disposed to independent third parties of the Group, on 12 May 2015 and 31 December 2013 respectively.

Human resources

As at 30 June 2015, the Group had approximately 492 full-time employees. Total staff costs including directors' remuneration for the six months ended 30 June 2015 was approximately RMB29.2 million (For the six months ended 30 June 2014: approximately RMB36.5 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.

Prospects

Looking forward to the second half of the year, it is anticipated that the macro-economic environment of China will gradually stabilise with promising upward momentum. The 13th Five-Year Plan is expected to be announced in the Fifth Plenum of the 18th Central Committee of the Communist Party of China to be held in the second half of the year. The 13th Five-Year Plan will cover the most critical years in China's road in becoming an overall affluent society. It therefore requires a long-term and all-round perspective and a new comprehensive mindset under the "New Normal" to precisely identify the dominating factors behind the economic slowdown, firmly grasp every development opportunity, effectively push forward economic restructuring, and solidly enhance economic quality and efficiency. The Group remains cautiously optimistic about the future. In respect of the traditional media advertising market, the substantial slowdown in the traditional media business during the year signified that the transformation of media has come to a critical point. The boundary between new and traditional media has blurred and the traditional media needs new formats and positions through transformation. Against the backdrop of the accelerating economic restructuring and increasing government support for and guidance on the integration of the internet, online new media, traditional media and social networks, the Group will reposition and reform itself, and redeploy its resources, strategically shift its development focus to marketing and expanding the customer base of its online new media platform and speed up the transition from traditional media to new media for the provision of marketing services.

The Group is equipped with abundant marketing resources and a well-established customer base together with a professional management team with ample experience in business transformation, and a technical team with strong technical capabilities along with competitive products. As such, the Group will speed up the integration of its traditional media platforms and new online technologies in order to establish an integrated platform business model which is more comprehensive and has more and wider audience. Having laid a solid foundation, the Group is on its way to a successful transformation. Inevitably, there will be hurdles along the path of transformation. However, the Group will endeavour to overcome these hurdles.

Furthermore, the Group's efforts in controlling costs and improving operating efficiency are producing positive results. Capitalising on our all-round strengths such as existing brand equity and customer base, multi-regional geographical coverage and cross-media platforms, the Group has an edge in its transformation and development. Though the road may seem long, the fruit of our adaptation to the new operating environment is promising.

In the long run, the macro-economic condition in China will gradually improve, the consumption power of the Chinese population as a whole will rise, and the domestic internet technology will mature. These trends will be conducive to the Group's growth. The Group will continue to strengthen ShiFang's comprehensive advertising network to realise a general transformation with the focus of on resuming stable overall business growth for the Group. Through actively pursuing transformation and development, the Group will create long-term value for the shareholders of the Company amidst severe competition.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015.

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 Zhi 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by 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 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 2015 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. Cai Jian Quan. 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 2015 with the management of the Company.

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 2015. 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 2015.

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 2015 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 August 2015

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. Chen Wei Dong and Ms. Chen Min; the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan.