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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 63.5% from approximately RMB183.6 million for the year ended 31 December 2014 to approximately RMB67.0 million for the year ended 31 December 2015.
- Gross profit decreased by approximately 112.5% from approximately RMB46.4 million for the year ended 31 December 2014 to gross loss of approximately RMB5.8 million for the year ended 31 December 2015.
- The Group recorded a net loss of RMB167.2 million for the year ended 31 December 2015, mainly attributable to (i) decline in newspaper advertising revenue; (ii) provision for impairment on trade receivables; (iii) provision for impairment on certain prepayments, deposits and other receivables due from certain cooperative metropolitan newspaper publishers; (iv) provision for impairment on properties held for sale; (v) provision for impairment of interests in associates; and (vi) provision for impairment of intangible assets.
- The Group recorded a basic loss per share of RMB0.1755 for the year ended 31 December 2015 as compared to a basic loss per share of RMB0.3621 for the year ended 31 December 2014.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2015.

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 2015 together with the comparative figures for the corresponding year of 2014.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2015 but represents an extract from those financial statements. The financial information has been reviewed by the audit committee of the Company (the "**Audit Committee**"). The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's external auditor, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong to the amounts set out in the Group's consolidated financial statements for the year. 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 on this announcement.

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	Note	**2015** **RMB'000**	2014 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**20,443**	40,107
Intangible assets		**1,500**	18,150
Interests in associates	5	**–**	9,121
Prepayments, deposits and other receivables	7	**22,907**	25,294
		44,850	92,672
Current assets			
Inventories		**5,583**	6,560
Properties held for sale		**51,527**	78,191
Trade receivables – net	6	**9,714**	45,493
Prepayments, deposits and other receivables	7	**5,382**	22,273
Amounts due from related parties		**522**	24,364
Short-term bank deposits		**–**	5,000
Cash and cash equivalents		**109,492**	32,487
		182,220	214,368
Total assets		**227,070**	307,040
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	10	**86,295**	72,687
Share premium	10	**636,180**	556,440
Other reserves		**54,971**	68,671
Accumulated deficits		**(636,683)**	(486,591)
		140,763	211,207
Non-controlling interests		**4,955**	(4,876)
Total equity		**145,718**	206,331

	Note	2015 RMB'000	2014 RMB'000
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**688**	688
Deferred income tax liabilities		**360**	1,475
		1,048	2,163
Current liabilities			
Trade payables	*8*	**4,488**	5,889
Other payables and accrued expenses		**41,927**	60,890
Bank borrowings	*9*	**13,579**	-
Current income tax liabilities		**19,267**	30,536
Amounts due to related parties		**1,043**	1,231
		80,304	98,546
Total liabilities		**81,352**	100,709
Total equity and liabilities		**227,070**	307,040
Net current assets		**101,916**	115,822
Total assets less current liabilities		**146,766**	208,494

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
Revenue	3	**66,972**	183,556
Cost of sales	12	**(72,821)**	(137,204)
Gross (loss)/profit		**(5,849)**	46,352
Selling and marketing expenses	12	**(17,085)**	(29,515)
General and administrative expenses	12	**(88,767)**	(84,590)
Provision for impairment of prepayments, deposits and other receivables	12	**(33,800)**	(126,097)
Other losses – net	11	**(15,231)**	(62,174)
Other income	11	**1,438**	3,278
Operating loss		**(159,294)**	(252,746)
Finance income		**206**	1,239
Finance costs		**–**	(62)
Finance income – net		**206**	1,177
Share of losses of associates	5	**(4,115)**	(5,191)
Provision for impairment of interests in associates	5	**(5,006)**	(46,026)
Loss before income tax		**(168,209)**	(302,786)
Income tax credit/(expense)	13	**1,029**	(4,318)
Loss and total comprehensive loss for the year		**(167,180)**	(307,104)
Loss and total comprehensive loss attributable to:			
– Equity holders of the Company		**(163,792)**	(304,174)
– Non-controlling interests		**(3,388)**	(2,930)
		(167,180)	(307,104)
Loss per share for loss attributable to equity holders of the Company			
– Basic *(RMB per share)*	14	**(0.1755)**	(0.3621)
– Diluted *(RMB per share)*	14	**(0.1755)**	(0.3621)
Dividend	15	**–**	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

These consolidated financial statements are presented in thousands of units of Renminbi (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2016.

2 Basis of preparation

2.1 Changes in accounting policies and disclosures

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also 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 2015 annual report.

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 2014, except for the adoption of the following amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2015 and did not have a material impact on the Group's consolidated financial statements:

Amendments to IAS 19	Defined benefit plans: employee contributions
Annual Improvement Project	Annual Improvements 2010-2012 Cycle
Annual Improvement Project	Annual Improvements 2011-2013 Cycle

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The following new standards and amendments to standards which are not yet effective for the financial year ended 31 December 2015 and which have not been early adopted in these consolidated financial statements:

Amendments to IAS 1	Disclosure initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRS 10 and IAS 28 (2011)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: applying the consolidation exception
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
IFRS 9 (2014)	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
Annual Improvement Project	Annual Improvements 2012-2014 Cycle

The Group has already commenced an assessment of the impact of these new standards and amendments to the existing standards, but is not yet in a position to state whether these new standards and amendments would have a significant impact on its results of operation and finance position.

3 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, and outdoor advertising services and activities. The total sales amount of the Group's five largest customers is RMB10,508,000 for the year ended 31 December 2015 (2014: RMB26,712,000). An analysis of the Group's revenue for the year is as follows:

	2015	2014
	RMB'000	*RMB'000*
Newspaper advertising	**34,820**	134,469
Online services	**491**	338
Marketing, distribution management, consulting and printing services, and outdoor advertising services and activities	**31,661**	46,867
Television and radio advertising	**–**	1,882
	66,972	183,556

4 Segment information

The executive Directors have been identified as the chief operating decision-makers ("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 advertising, marketing, distribution management and printing businesses from both geographic and product perspectives. From a product perspective, management takes into consideration of the economic benefits of abovementioned 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 businesses activities are included in a single reportable segment in accordance with IFRS 8 "Operating segments". As such, no segment information is presented.

5 Interests in associates

	2015	2014
	RMB'000	*RMB'000*
At 1 January	**9,121**	59,993
Retained interest in a former subsidiary	**–**	345
Share of post-acquisition losses	**(4,115)**	(5,191)
Provision for impairment of interests in associates	**(5,006)**	(46,026)
At 31 December	**–**	9,121

On 30 November 2015, the Group's entire interests in Skybroad International Limited ("Skybroad") and Beijing HanDing Advertisement Co., Limited ("Beijing HanDing") were disposed of to facilitate the streamlining of the Group's structure.

As at 31 December 2014, the Group's interests in associates represented its 34% equity interest in Skybroad and its 30% interest in Beijing HanDing. The Group's interest in Skybroad included a quasi-equity loan of RMB680,000 to Skybroad, which was 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. In view of the decline in revenue due to competition from incumbent competitors and new entrants in the voice over internet protocol software industry, management has assessed the recoverable amount of the interest in Skybroad using the discounted cash flow method. Impairment provision of RMB4,724,000 (2014: RMB46,026,000) was recognised during the year ended 31 December 2015 for the Group's interest in Skybroad. In addition, an impairment provision of RMB282,000 (2014: nil) was made during the year ended 31 December 2015 for Beijing HanDing in the view of the significant deterioration in financial performance.

Set out below are details of the associates of the Group as at 2014. They had share capitals consisting solely of ordinary shares, which were held directly by the Group; the country of their principal place of businesses was in PRC.

Name of entity	**Country of incorporation**	**Nature of the relationship**	**Measurement method**	**% of ownership interest held as at 31 December**	
				2015	2014
Skybroad	British Virgin Islands	Communication software	Equity	–	34.0
Beijing HanDing	The PRC	Advertising agent	Equity	–	30.0

6 Trade receivables – net

	2015	2014
	RMB'000	*RMB'000*
Trade receivables	**25,462**	83,904
Less: provision for impairment of trade receivables	**(15,748)**	(38,411)
Trade receivables – net	**9,714**	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 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:

	2015	2014
	RMB'000	*RMB'000*
1 – 30 days	**2,402**	8,739
31 – 60 days	**713**	7,609
61 – 90 days	**540**	4,263
91 – 180 days	**1,711**	20,258
181 – 365 days	**4,021**	19,901
Over 1 year	**16,075**	23,134
	25,462	83,904
Less: provision for impairment of trade receivables	**(15,748)**	(38,411)
Trade receivables – net	**9,714**	45,493

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

As at 31 December 2015, trade receivables of RMB2,243,000 (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 default and the repayment periods are consistent with the Group's practice.

As at 31 December 2015, trade receivables of RMB15,748,000 (2014: RMB38,411,000) were impaired and provided for. For the year ended 31 December 2015, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB17,187,000 (2014: RMB1,842,000).

During the year ended 31 December 2015, trade receivables of RMB1,072,000 (2014: nil) were directly written-off to the consolidated statement of comprehensive income. 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

	2015	2014
	RMB'000	*RMB'000*
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	173,000
Prepayment for acquisition of a property *(note (ii))*	**22,907**	6,694
Deposits to newspaper publishers *(note (iii))*	**30,000**	92,000
	190,907	271,694
Less: Provision for impairment	**(168,000)**	(246,400)
Prepayments, deposits and other receivables – net	**22,907**	25,294
Current portion		
Prepayments to newspaper publishers and others *(note (iv))*	**90,407**	243,542
Deposits and other receivables *(note (v))*	**18,264**	47,949
Receivable from Yueyang City Intermediate People's Court *(note (vi))*	**–**	22,000
	108,671	313,491
Less: Provision for impairment	**(103,289)**	(291,218)
Prepayments, deposits and other receivables – net	**5,382**	22,273

The carrying amounts of the Group's prepayments, deposits and other receivables were denominated in RMB.

(i) ***Long term prepayment***

As at 31 December 2015, long term prepayment represents cash paid by the Group to one (2014: two) metropolitan newspaper publisher in the PRC, namely Southeast Express (2014: Southeast Express and Lifestyle Express), in relation to the potential establishment of joint ventures with this metropolitan newspaper publisher.

Lifestyle Express has ceased publication from 30 June 2015 due to financial difficulties. The management reviewed the recoverability of the long term prepayment made to Lifestyle Express and write-off the entire balance amounted to RMB35,000,000, of which RMB31,400,000 had been provided for in prior years. The management assessed the probability of recovering the Group's investment costs to be remote.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the management reviewed the Group's ability to recover the carrying amount of the long term prepayment made to Southeast Express and determined provision totaling RMB138,000,000 (2014: RMB123,000,000) should be made as at 31 December 2015. As at 31 December 2015, the entire balance has been provided for.

(ii) ***Prepayment for acquisition of a property***

As at 31 December 2015, prepayment for acquisition of a property represents the prepayment paid by the Group to Xiamen Information Group Ltd. for the purchase of certain commercial premises located within Xiamen Software Park III. Total consideration for the property is RMB22,164,000. The initial down payment of RMB6,694,000 was paid by the Group to the seller during the year ended 31 December 2014. During the year ended 31 December 2015, the Group made a further payments of RMB15,470,000 which were financed by mortgage loans on the property granted by a bank to the Group. Details of the mortgage loans are disclosed in Note 9. Ownership of the property is expected to be conveyed to the Group before 31 December 2017 when construction of the property is expected to be substantially completed. During the year, the Group has capitalised borrowing costs amounting to RMB743,000 (2014: nil) on the prepayment.

(iii) Deposits to newspaper publishers

As at 31 December 2015, deposits to newspaper publishers represent cash paid by the Group to one (31 December 2014: three) metropolitan newspaper publishers in the PRC, namely Southeast Express (2014: Southeast Express, Lifestyle Express and Central Guizhou Morning Post), pursuant to exclusive agreements between the Group and newspaper publishers.

Owing to the aforementioned reason in Note 7(i), the management reviewed the recoverability of deposits to Lifestyle Express and write-off the entire balance amounted to RMB30,000,000, which had been fully provided for in prior years.

During the year ended 31 December 2015, the management reviewed the recoverability of deposits made to Central Guizhou Morning Post and determined the deposits to be uncollectible. The entire balance amounted to RMB32,000,000, which had been fully provided for in prior years, has been written off.

The Group assesses the recoverable amounts of the deposits on each balance sheet date and the carrying values of these amounts are written down immediately to their recoverable amounts if recoverable amounts are less than the carrying values. In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire deposits of RMB30,000,000 made to Southeast Express have been provided for in prior years.

(iv) Prepayments

Under the terms of certain (exclusive and non-exclusive) advertising agreements with one (2014: three) metropolitan newspaper, the Group has to make prepayments for print media advertising to the newspaper publishers. The amounts prepaid to these metropolitan newspaper publishers can be utilised as advertising costs in the coming 12 months.

Owing to the aforementioned reasons in Note 7(i) and 7(iii), the management write-off the entire balances for prepayments to Lifestyle Express and Central Guizhou Morning Post amounted to RMB68,376,000 and RMB49,198,000 respectively, which had been fully provided for in prior years.

As at 31 December 2012, prepayment of RMB33,780,000 was made to Shenyang Evening News pursuant to the exclusive advertising agreement between the Group and Shenyang Evening News. The exclusive advertising agreement was terminated on 26 July 2011. The management considered the recoverability of the prepayment and probable outcome of the pending litigation with Shenyang Evening News, full provision were made in prior years.

Prepayment made to Shenyang Evening News and its impairment provision were disposed of along with the disposal of a subsidiary by the Group on 30 November 2015.

In view of the continuous decline in printing revenue associated with the advertising agreement over the years, the entire prepayment totaling RMB83,927,000 made to Southeast Express have been provided for in prior years.

(v) Deposits and other receivables

Deposits and other receivables primarily include cash paid to contracted business partners as deposits for operation rights. The deposits are interest free and are refundable upon the expiry of the agreements or on request under mutual consent.

Owing to the aforementioned reason in Note 7(i), the management write-off the entire balances for deposits and other receivables to Lifestyle Express amounted to RMB19,775,000, which had been fully provided for in prior years.

Pursuant to the aforementioned exclusive advertising agreement with Shenyang Evening News in Note 7(iv), the Group also deposited RMB10,000,000 to Shenyang Evening News which had been fully provided for in prior years.

Deposits made to Shenyang Evening News and its impairment provision were disposed of along with the disposal of a subsidiary by the Group on 30 November 2015.

Management has assessed the recoverability of deposits and other receivables, including those from Southeast Express of RMB4,162,000 that have been fully provided for in prior years, further impairment provision of RMB10,024,000 has been made for the year ended 31 December 2015.

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

On 30 September 2013, the Company, and its former 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 for the deduction of RMB22,000,000 out of the bank accounts of Fuzhou AoHai and Kunming AoHai in favor of Yueyanglin Paper Co., Ltd.

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 aforementioned enforcement judgement and to refund the improperly drawn amount of RMB22,000,000 to the Group.

The management 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.

Receivables and its impairment provision from Yueyang City Intermediate People's Court were disposed of along with the disposal of a subsidiary by the Group on 12 May 2015.

8 Trade payables

	2015	2014
	RMB'000	*RMB'000*
Trade payables	**4,488**	5,889

Payment terms granted by suppliers 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 purchase occurred.

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

	2015	2014
	RMB'000	*RMB'000*
1 – 30 days	**521**	1,294
31 – 90 days	**1,087**	702
Over 90 days	**2,880**	3,893
	4,488	5,889

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

9 Bank borrowings

	2015	2014
	RMB'000	*RMB'000*
Bank borrowings – current *(Note (i))*	**13,579**	–

Notes (i):

During the year ended 31 December 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 payment 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 during the year ended 31 December 2014.

As at 31 December 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 rate as prescribed by the People's Bank of China for loans of a similar length. The effective interest rate for the year is 7.39% per annum.

Notes (ii):

The Group has the following undrawn borrowing facilities:

	2015	2014
	RMB'000	*RMB'000*
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 of the Group, and/or certain assets held by a wholly-owned subsidiary of the Group, at the discretion of the bank. The facility has expired on 5 March 2016.

10 Share capital

	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 2015 and 2014 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares at 31 December 2014 and 1 January 2015	839,942,121	83,994,212	72,687	556,440	629,127
Net proceeds from issuance of ordinary shares *(Note (b))*	167,000,000	16,700,000	13,608	79,740	93,348
At 31 December 2015	1,006,942,121	100,694,212	86,295	636,180	722,475

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.

(b) The Company issued 167,000,000 shares at HK$0.7 each on 1 December 2015 (representing 16.6% of the total enlarged ordinary shares issued) to 7 independent third parties. The related transaction costs of RMB1,912,548 have been netted off against share premium.

11 Other income and other gains/(losses)

	2015	2014
	RMB'000	*RMB'000*
Other income:		
Sale of newsprint papers	**–**	523
Sale of scrap material	**74**	135
Government grants *(note a)*	**1,236**	2,127
Sundry income	**128**	493
	1,438	3,278
Other gains:		
Gains on disposal of subsidiaries	**17**	315
	17	315
Other losses:		
Provision for impairment of intangible assets	**(15,248)**	–
Provision for legal claims	**–**	(17,329)
Provision for impairment of receivable from Yueyang City Intermediate People's Court	**–**	(22,000)
Provision for administrative foreign exchange penalty	**–**	(23,160)
	(15,248)	(62,489)
Other gains/(losses) – net	**(15,231)**	(62,174)

Notes:

(a) The Group obtained and recognised as income government grants of RMB1,236,000 (2014: RMB2,127,000) from the Fujian, Guizhou and Kunming government authority for the year ended 31 December 2015 as an incentive for the Group to expand its business in the PRC.

12 Expenses by nature

Loss before income tax is stated after charging/(crediting) the following:

	2015	2014
	RMB'000	*RMB'000*
Cost of newspaper advertising		
– Media costs	**41,824**	95,208
Cost of marketing and promotion services	**18,530**	19,459
Cost of online services	**60**	165
Cost of television and radio advertising		
– Media costs	**–**	916
Cost of distribution management, consulting and printing services, and outdoor advertising services and activities:		
– Raw materials	**5,461**	9,822
– Media costs	**1,466**	4,304
– Other costs	**263**	1,293
Depreciation	**8,931**	10,170
Amortisation	**1,345**	3,228
Auditor's remuneration	**3,112**	4,759
Operating lease charges in respect of land and buildings	**5,241**	6,108
Net loss on disposal of property, plant and equipment	**3,934**	90
Net loss on disposal of properties held for sale	**3,558**	520
Provision for impairment of prepayments, deposits and other receivables	**33,800**	126,097
Provision for impairment of trade receivables, net of trade receivables written back	**15,646**	1,042
Write-off of trade receivables	**1,072**	–
Provision for impairment of properties held for sale	**14,555**	1,828
Provision for impairment of property, plant and equipment	**2,171**	–
Net foreign exchange (gain)/loss	**(1,330)**	35
Employee benefit expenses (including directors' emoluments)	**51,842**	73,347
Business tax	**2,825**	3,039

13 Income tax (credit)/expense

	2015	2014
	RMB'000	*RMB'000*
Current income tax		
Mainland China enterprise income tax		
– Current tax	**19**	1,519
– Under provision in prior years	**67**	3,481
	86	5,000
Deferred income tax	**(1,115)**	(682)
	(1,029)	4,318

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 2015 and 2014.

14 Loss per share

(a) Basic

Basic loss per share for the years ended 31 December 2015 and 2014 is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue, including bonus element, during the year.

	2015	2014
Loss attributable to equity holders of the Company *(RMB'000)*	**(163,792)**	(304,174)
Weighted average number of shares in issue, including bonus element *(thousands)*	**933,040**	839,942
Basic loss per share *(RMB per share)*	**(0.1755)**	(0.3621)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares, including bonus element, outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2015, the Company has no dilutive potential ordinary shares. For the year ended 31 December 2014, the Company's share options issued under the pre-IPO share option scheme were 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.

15 Dividend

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

16 Subsequent events

The Company issued 200,000,000 shares at HK$0.8 each on 19 February 2016 (representing 16.6% of the total enlarged ordinary share capital issued) to 2 third parties. Proceeds from the share issuance amounted to HK$160,000,000 (approximately RMB134,730,000).

On 22 February 2016, the Group entered into a movie investment agreement ("Agreement') with Shanghai Hehe Film Investment Co., Ltd., pursuant to which the Group has agreed to acquire 55% of the target income right of a movie, Ip Man 3, for 30 years. The consideration for the target income right amounted to RMB110,000,000 or equivalent HK$ translated at central parity rate published by People's Bank of China. The consideration has been satisfied by HK$131,168,000 (approximately RMB110,451,000) on 23 February 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

Influenced by the complex international situation and increasing downward pressure, China's economic growth further slowed down in 2015. According to the data released by the National Bureau of Statistics, China's annual gross domestic product (GDP) in 2015 was RMB67.7 trillion, representing a year-on-year increase of 6.9%, which was the lowest since 1990. In particular, growth rate in the fourth quarter dropped to 6.8%. During the year, the advertising sector was under pressure as the growth of fixed asset investment slowed down and the continuous credit crunch had directly affected the real estate and other investment-oriented industries, which also indirectly affected consumer's consumption sentiment in China. On the other hand, "Internet Plus" is having a profound impact on the way of operation of all industries as well as the way of living and this is materially affecting traditional industries. Advertising strategies have been altered by the rapid development of new media, and the industry is undergoing structural reforms.

According to the latest statistics published by China Advertising Association and CVSC – TNS Research ("CTR"), it was noted that the traditional media advertising market continued to shrink as a whole by 7.2% in 2015, indicating a comprehensive decline of the entire market. As shown in the report, the segments of television (TV) advertising, radio advertising and outdoor advertising contracted by 4.6%, 0.4% and 0.2%, respectively. Among those print media advertising segments with severe decline, magazine advertising fell by 19.8% while newspaper advertising recorded the sharpest decrease among traditional media of 35.4%. The performance of newspaper advertising was the most worrying with four consecutive years of downtown as the decline rate has increased from 7.3% in 2012 to 18.3% in 2014 and then further to 35.4% in 2015. Among the top six advertising segments, spending from the real estate, retail, entertainment and leisure, and finance dropped by 44.8%, 37.3%, 16.5% and 6.5%, respectively.

As stated in the *Report on the Development of China's Media Industry (2015)*（《中國傳媒產業發展報告(2015)》）, the structural adjustment of the media industry has intensified and the Internet is replacing the traditional media. Portable electronic media will gradually become a junction point of media convergence. The report outlined four pillars of the media industry namely print media, radio and TV, the Internet, and mobile network, the last one of which was the most promising. Statistics from iResearch showed that from 2014, the Chinese mobile advertising market has been expanding at an annual rate of over 100%. In 2015, its market size has reached RMB59.25 billion and is expected to surpass RMB250 billion by 2018.

From the above figures, internet and mobile advertising are the main driving forces for the rapid growth of the domestic media industry. On the other hand, traditional media has entered a recession, and some experts even commented that the newspaper sector is experiencing a cliff fall. Against the backdrop of overall economic slowdown, traditional print media are prone to increased pressure, and the Group's newspaper advertising agency business, which is still the largest source of the Group's revenue, will continue to struggle with challenges.

Business review

The slowdown in China's economic development and the decline of certain industries have adversely affected the advertising spending of the respective industries, thereby posing challenges to the operating environment of the Group in 2015. In view of the restructuring of the advertising market, the continuous switch of advertising platform from print media to new media and the Internet, as well as the reduced advertising spending in certain industries including the real estate industry due to their decline, revenue from newspaper advertising, online services and marketing and promotion services has dropped. For the year ended 31 December 2015, the Group recorded a revenue from core businesses of approximately RMB67.0 million, representing a decline of 63.5% as compared with the previous year. Gross loss for the year was approximately RMB5.8 million, representing a significant fall of 112.5% from gross profit of approximately RMB46.4 million in 2014. Gross loss margin was 8.7% (2014: gross profit margin of 25.3%). Net loss after tax for the year amounted to approximately RMB167.2 million (2014: approximately RMB307.1 million). The performance of the Group's principal business, newspaper advertising, was adversely affected by the increasing threat from new online media and the receding economy in China. As a result, the Group generated a lower revenue and experienced a slower restructuring progress of some of its businesses, such as online media services, than what was originally projected.

In response to increasing market challenges and the changing operating environment, the Group has sought new revenue streams and implemented stringent cost control by actively seeking development opportunities that can create synergies with its existing businesses and adjusting its business model and development approach. Mr. Siuming Tsui, a famous director and film producer in Hong Kong, was appointed as an executive Director in December 2015. The Group also entered into a memorandum of understanding with Shanghai Hehe Film Investment Co., Ltd. ("**Hehe Film**") to use and exploit the existing media-related capabilities of both the Company and Hehe Film with a view to jointly investing in, developing, marketing and managing the production and distribution of motion pictures, thereby giving new growth impetus to the Company. On the other hand, the Group also streamlined its structure by disposing of the entire equity interest in two unprofitable subsidiaries during the year, namely Greatest Ocean Ltd. and Hung Hing To Publishing Ltd., to achieve a better utilisation of its resources and curtailed costs and expenses. The Group also restructured some of its independent divisions with a view to further centralising and streamlining internal operation and better allocating jobs and resources. Investments have been made in reliable resource providers and business partners have been selected in a timely manner. To ensure there were sufficient resources available for the development of core teams and major markets, a team of competent personnel with expertise in new technologies and new media was trained, and segments that were not in line with the Group's future strategic requirements have been scaled down.

In addition, having analysed and reviewed its existing operations and the prevailing market conditions, the Group has identified a business model and market segmentation strategy that were appropriate for its established markets which could bring in new streams of revenue. The Group further improved and refined its services and products based on the change in preferences of and interactions with its clients. The Group took advantage of its established clientele and resource base in the print media market and accurately identified the trends of market segmentation and innovation in order to consolidate existing relationships and to be ready to improve its operations and to seize any market opportunities that may arise.

Consolidating client base and expanding into new markets following business restructuring

The Group has a long-standing and stable client base of advertisers from various 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 advertising. This client base has remained basically the same as compared with the previous year, despite the fact that advertisers have placed less emphasis on newspaper advertising.

Owing to the shift in consumer needs and the emergence of mobile Internet advertising, the traditional media advertising market in China was challenging in 2015. Major indicators of the domestic property market, such as sold area, sales and investment, grew at lower rates in 2015 owing to the slower-than-expected growth of the overall Chinese economy and, in particular, the credit crunch in the real estate industry. Under such circumstances, the Group's traditional advertising business was unavoidably affected. Despite the considerable pressure on revenue and profit, the Group managed to maintain a stable clientele owing to the operational resources accumulated by the Group and the healthy relationships with clients over the years.

The Group believes that given the continuous rapid growth of the Internet, mobile network and other new communication media, the Group's online and new media business is presented with ample opportunities. Clients' trust and support form the engine of the Company's long-term growth amid a external environment. Although traditional advertisers have reduced their spending, the Group has actively expanded its client portfolio and revenue source by exploring the advertising market of fast-moving consumer goods, which saw rising spending and are closely related to everyday life. Such a move has diversified the Company's business and demonstrated our cautious but flexible hand in dealing with external challenges and achieving balanced growth. In addition, the Group also strives to develop various media advertising channels so as to become a comprehensive multi-channel marketing solution provider by providing comprehensive advertising solutions to clients with the Group's diversified online and offline media resources in the future.

Moreover, the Group is committed to improve its services by tracking and analysing the consumption behaviour of readers, with the view to expanding the Group's client base with innovative advertising solutions that encompass new technologies and new media. While the business restructuring is at a stage of adjustment and development, the Group believes that such initiative will be the basis for establishing a stable business growth in the long run and will contribute to the Group's future profitability.

Newspaper Advertising

In recent years, the exponential growth of new media advertising and mobile Internet advertising channels have diminished advertising spending and volume in traditional print media. As such, the traditional media advertising segment has suffered a severe blow. Coupled with the cessation of *Lifestyle Express* beginning from 30 June 2015 due to financial difficulties, this segment saw a drop in revenue. Furthermore, the Group has been establishing a platform to integrate its traditional print media and new media businesses, but the new technology is only being tested before officially going online and this new initiative is currently at its investment stage with limited revenue contribution during the year. As a result of the above factors, the Group recorded revenue from newspaper advertising of RMB34.8 million for 2015, down by 74.1% year-on-year. Revenue from marketing, distribution management, consulting and printing services, and outdoor advertising services and activities for 2015 was RMB31.7 million, representing a drop of 32.4% year-on-year. Despite the drop in revenue, the newspaper advertising business remained one of the Group's principal businesses and accounted for approximately 51.9% of the Group's total revenue, a drop from 73.3% for the corresponding period of the previous year, demonstrating less reliance on the traditional advertising platform.

As at the end of 2015, the Group had two media partners, comprising *Southeast Express* and *City Lifestyle Weekly*. In the face of the pressure and risk brought by new media and the Internet, the Group has implemented stringent cost controls and actively sought new sources of revenue during the year to improve its operations. For the purpose of improving the internal organisational structure, restructuring was carried out at the management level and manpower was streamlined.

Online Services

To give its full support to the development of the Internet, the central government advocated the "Internet Plus" strategy. Against this backdrop, it is expected that mobile Internet will flourish in terms of user coverage and become a key source of information for the public. The Group believes that the mobile Internet presents enormous business opportunities and will be the key drivers of future growth in the advertising, cultural and media industries. 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 step up the integration of the expertise of its traditional businesses with new technologies. In 2015, the Group's online services continued to consist mainly of Fangke Web, DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). The Group has further developed these 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.

During the year under review, the Group's developing Internet media platforms have yet to deliver any results. Revenue from this business increased by 66.7% to RMB0.5 million as compared with the corresponding period of the previous year. Gross profit was RMB0.4 million, up by 100% as compared with the corresponding period of the previous year, accounting for only 0.7% of the Group's overall revenue. The Group has high hopes for the development of its online media business, and will seek suitable partners in the establishment of comprehensive multi-media platforms to achieve business transformation, shift its business focus to mobile Internet operations, expand its market share and increase its revenue in the long term.

During the year 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 16 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 grow its online services operation and seize additional market share. As for e-magazine publishing, the Group will continue strengthening its technical support capabilities and speed up the restructuring of its service team 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 of 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 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 marketing effectiveness its top priority. Furthermore, it will offer more highly readable leisure and entertainment content to raise its value.

DNKB boosted the technological capabilities of its existing products during the year 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.

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. 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's technology and product portfolios were still primitive and not yet profitable notwithstanding continuous business integration and technological developments. The Group has developed several end-user applications and unique products, collected and classified numerous databases and rolled out practical products which are the necessary technological and product support for the development of the Company's cloud computing platform.

Marketing, Distribution Management, Consulting and Printing Services

During the year under review, the competitiveness and market of print media continued to be hard hit by the boom in online new media. The marketing, distribution management, consulting and printing service business has a narrow client base. Further, the paper-based printing operation received a huge blow from the cessation of one of the Group's media partners at the end of June 2015 due to financial difficulties. As a result, revenue from this segment for the year under review fell by 32.4% to RMB31.7 million, though it accounted for an impressive 47.3% of the Group's total revenue due to the plummeting revenue from the other business segments.

The Group will endeavour to maintain exclusive co-operation with its existing newspaper partners by selling their advertising spaces and providing them with integrated services as well as certain additional services, such as printing, distribution management, consulting and marketing advice. In relation to distribution and management services, the Group continued to provide comprehensive services for Southeast Express. For the printing service business, the Group's factory in Fuzhou operated smoothly and printed *Southeast Express*, *China Securities Journal* and *Shanghai Securities News*. As one of our media partners ceased publication, the factory in Kunming ceased to provide related printing service to the media partner and operation was suspended in July 2015. Nonetheless, the Group will carry on with its stringent control of the printing quality of its publications so as to ensure the quality of its advertisements as well as strengthen the partnerships with its existing media partners.

Meanwhile, Fangke Web faced immense challenges in 2015 as sales of the property market slipped as a result of the macroeconomic slowdown. During the year, planning fees and commissions from the Group's planning and marketing services provided to property projects, together with the revenue from Fangke Web, amounted to RMB22.6 million.

Television and Radio Advertising

As the TV and radio advertising projects failed to deliver expected returns, the Group ceased cooperation with all TV and radio stations during the year under review. As a result, revenue from TV and radio advertising dropped from RMB1.9 million for 2014 to nil for the year.

FINANCIAL REVIEW

Revenue

Total revenue decreased significantly by 63.5% from RMB183.6 million for the year ended 31 December 2014 to RMB67.0 million for the year ended 31 December 2015, primarily due to the reduced advertising spending in certain sectors, such as real estate, who have entered an adjustment cycle triggered by the domestic economic slowdown, the continuous switch of advertising platform from print media to new online media, the shift in clients' promotion strategies and the restructuring of the advertising market. Revenue from newspaper advertising decreased from RMB134.5 million for the year ended 31 December 2014 to RMB34.8 million for the year ended 31 December 2015 and revenue from marketing, distribution management, consulting and printing services decreased from RMB46.9 million for the year ended 31 December 2014 to RMB31.7 million for the year ended 31 December 2015.

Gross (loss)/profit and gross (loss)/profit margin

Gross profit decreased by 112.5% from RMB46.4 million for the year ended 31 December 2014 to gross loss of RMB5.8 million for the year ended 31 December 2015. Gross profit margin decreased from 25.3% for 2014 to gross loss margin of 8.7% for 2015, which was primarily attributable to the significant drop in revenue caused by the unsatisfactory performance of newspaper advertising and marketing, distribution management, consulting and printing services.

Other income

Other income decreased by 57.6% from RMB3.3 million for the year ended 31 December 2014 to RMB1.4 million for the year ended 31 December 2015, primarily due to the decrease in income from sale of newsprint papers.

Other losses – net

Net other losses amounted to RMB15,231,000 for the year ended 31 December 2015 mainly represented the provision for impairment of intangible assets while the net other losses amounted to RMB62.2 million for the year ended 31 December 2014 was mainly due to provision for legal claims related to lawsuit between the Group and Shenyang Media Corporation, provision for impairment of receivable from Yueyang City Intermediate People's Court and provision for administrative foreign exchange penalty imposed by Fujian Province Branch of the State Administration of Foreign Exchange.

Selling and marketing expenses

Selling and marketing expenses decreased by 42.0% from RMB29.5 million for the year ended 31 December 2014 to RMB17.1 million for the year ended 31 December 2015, mainly due to the drop in revenue during the year.

General and administrative expenses

General and administrative expenses increased by 5.0% from RMB84.6 million for the year ended 31 December 2014 to RMB88.8 million for the year ended 31 December 2015, mainly due to the increases in provision for impairment of trade receivables and properties held for sale of RMB15.6 million and RMB14.6 million respectively, which were offset by the decrease in staff cost.

Provision for impairment of prepayments, deposits and other receivables

Provision for impairment of prepayments, deposits and other receivables decreased significantly by 73.2% from RMB126.1 million for the year ended 31 December 2014 to RMB33.8 million for the year ended 31 December 2015, mainly because provision for majority balances of prepayments, deposits and other receivables were made in the year ended 31 December 2014.

Loss before income tax

As a result of the above factors, loss before income tax for the year ended 31 December 2015 was RMB168.2 million, representing a drop of 44.5% as compared to loss before income tax of RMB302.8 million for the year ended 31 December 2014.

Income tax credit/(expense)

Income tax expense decreased by 123.3% from RMB4.3 million for the year ended 31 December 2014 to income tax credit of RMB1.0 million for the year ended 31 December 2015 as a result of the decrease in taxable income for the year.

Loss for the year

The Group recorded a net loss for the year of RMB167.2 million for the year ended 31 December 2015, mainly attributable to the decline in newspaper advertising revenue, and the provisions for impairment of trade receivables, certain prepayments, deposits and other receivables due from certain metropolitan newspaper publishing partners, properties held for sale and interests in associates.

Loss attributable to non-controlling interests

As a result of the above factors, loss attributable to non-controlling interests increased from RMB2.9 million for the year ended 31 December 2014 to RMB3.4 million for the year ended 31 December 2015.

Loss attributable to equity holders of the Company

As a result of the above factors, loss attributable to equity holders of the Company decreased from RMB304.2 million for the year ended 31 December 2014 to RMB163.8 million for the year ended 31 December 2015.

Liquidity and capital resources

The Group's management monitors current and expected liquidity requirements regularly to ensure the Group has sufficient working capital to meet its future obligations as and when they fall due. During the year ended 31 December 2015, the Group recorded a net loss of RMB167.2 million and a net cash inflow of RMB77.0 million. The management closely monitors the Group's liquidity position and is implementing measures to improve the Group's cash flow.

	Year ended 31 December	
	2015	2014
	RMB'000	*RMB'000*
Net cash used in operating activities	**(17,534)**	(55,398)
Net cash (used in)/generated from investing activities	**(12,380)**	33,274
Net cash generated from financing activities	**106,919**	700
Net increase/(decrease) in cash and cash equivalents	**77,005**	(21,424)
Cash and cash equivalents at beginning of the year	**32,487**	53,911
Cash and cash equivalents at end of the year	**109,492**	32,487

Cash flows used in operating activities

For the year ended 31 December 2015, net cash used in operating activities amounted to RMB17.5 million, primarily attributable to the net loss for the year amounted to RMB167.2 million.

Cash flows (used in)/generated from investing activities

For the year ended 31 December 2015, net cash used in investing activities amounted to RMB12.4 million, mainly due to the acquisition of a property and the addition of equipment, which were partially offset by release of term deposits.

Cash flows generated from financing activities

For the year ended 31 December 2015, net cash generated from financing activities amounted to RMB106.9 million, mainly attributable to the proceeds from issuance of 167,000,000 ordinary shares at HK$0.70 each under a general mandate.

Capital expenditures

Capital expenditures incurred are mainly for the renovation of office and the purchase of a property, printing machinery and office equipment. Capital expenditures were RMB1.7 million and RMB18.4 million for the years ended 31 December 2014 and 31 December 2015, 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	
	2015	2014
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**2,402**	8,739
31 – 60 days	**713**	7,609
61 – 90 days	**540**	4,263
91 – 180 days	**1,711**	20,258
181 – 365 days	**4,021**	19,901
Over 1 year	**16,075**	23,134
Total	**25,462**	83,904
Less: provision for impairment of trade receivables	**(15,748)**	(38,411)
Total trade receivables – net	**9,714**	45,493

Trade receivables decreased by 78.7% from RMB45.5 million as at 31 December 2014 to RMB9.7 million as at 31 December 2015. Such decrease was mainly attributable to the drop in revenue and the recovery of balances of trade receivables during the year.

Properties held for sale

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Properties held for sale	**51,527**	78,191

Properties are classified as properties held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The amount of proceeds received or receivable from the sales of properties held for sale was RMB7.9 million and RMB5.6 million for the year ended 31 December 2015 and 2014, respectively.

Trade payables

	As at 31 December	
	2015	2014
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**521**	1,294
31 – 90 days	**1,087**	702
Over 90 days	**2,880**	3,893
Total	**4,488**	5,889

Trade payables decreased by 23.8% from RMB5.9 million as at 31 December 2014 to RMB4.5 million as at 31 December 2015. Trade payables turnover days increased from 66 days for the year ended 31 December 2014 to 241 days for the year ended 31 December 2015, which was mainly due to the longer settlement period of payables for the year.

Indebtedness

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

During the year ended 31 December 2015, the Group obtained mortgage loans amounting to RMB15.5 million, which were drawn on 27 February 2015. The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried quarterly adjusted floating interest at 1.15 times the benchmark loan interest as prescribed by the People's Bank of China for loans of a similar length.

Gearing ratio, being the proportion of the Group's total borrowings to total assets, increased from 0% for the year ended 31 December 2014 to 6.0% for the year ended 31 December 2015.

Commitments

(a) Commitment for exclusive cooperative agreements

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

	As at 31 December	
	2015	2014
	RMB'000	*RMB'000*
Not later than 1 year	–	63,800
Later than 1 year and not later than 5 years	–	227,000
Later than 5 years	–	795,000
	–	1,085,800

(b) Other capital commitments

As at 31 December 2015, the Group did not have any other capital commitments.

Contingent liabilities

The Group follows the guidance of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" to determine when contingent liabilities should 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 any 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 year and the financial position.

(a) Lawsuits between the Group and Shenyang Media Corporation

Regarding the judgement of first instance issued by the Shenyang Intermediate People's Court on 30 August 2012 in favour of Shenyang Media Corporation against Liaoning Aohai, the Group made a provision of RMB17,250,398 in the year ended 31 December 2014 after a series of attempts to appeal with unsatisfactory results. To facilitate the streamlining of the Group's structure, Liaoning Aohai was disposed of to an independent third party of the Group on 30 November 2015.

(b) Enforcement order issued by Yueyang City Intermediate People's Court against certain Group subsidiaries

Regarding the two enforcement judgements issued by the Yueyang Intermediate People's Court on 22 September 2013 in favour of Yueyanglin Paper Co., Ltd. against Fuzhou Aohai Advertisement Co., Ltd. ("Fuzhou AoHai") and Kunming AoHai Advertising Co., Ltd. ("Kunming AoHai"), the Group made a provision of RMB22,000,000 in the year ended 31 December 2014 after a series of attempts to appeal with unsatisfactory results. To facilitate the streamlining of the Group's structure, Fuzhou AoHai and Kunming AoHai were separately disposed of to independent third parties of the Group, on 12 May 2015 and 31 December 2013 respectively.

Human resources

As at 31 December 2015, the Group had approximately 291 full-time employees. Total staff costs including directors' remuneration for the year ended 31 December 2015 was approximately RMB51.8 million (2014: approximately RMB73.3 million).

The remuneration of the directors is evaluated by the remuneration committee and the committee makes recommendations to the Board. In addition, the remuneration committee reviews the performance, and determines the remuneration structure, of the Group's senior management.

The Company operates an employee share option scheme, the purpose of which is to incentivise or reward eligible individuals who provide services to the Company for their contributions and their continuing efforts to promote the interests of the Company, and for other purposes as the Board may approve from time to time.

Events after the reporting period

Subsequent to the end of the reporting period, the Company had issued 200,000,000 shares at HK$0.8 each on 19 February 2016 to 2 third parties. Proceeds from the share issuance amounted to HK$160,000,000 (approximately RMB134,730,000).

On 22 February 2016, the Group entered into a movie investment agreement ("Agreement") with Hehe Film, pursuant to which the Group has agreed to acquire 55% of the target income right of a movie, Ip Man 3, for 30 years. The consideration for the target income right amounted to RMB110,000,000 or equivalent HK$ translated at central parity rate published by People's Bank of China. The consideration has been satisfied by HK$131,168,000 (approximately RMB110,451,000) on 23 February 2016.

Prospects

In 2015, the Chinese film market broke box office records with a year-on-year surge of 48.7%, totaling RMB44.069 billion. In February 2016 alone, total box office receipts in China amounted to approximately RMB6.9 billion, setting a new monthly record and surpassing North America as the largest market in the world for the first time. It is expected that the Chinese film market will enter a golden age of development. The Group believes that the spending of the Chinese consumers on films, TV dramas and other cultural products will continue to rise and the film and TV drama markets are promising. As the film and TV industries are closely linked to the advertising and media industries, in which the Group operates, the Group is confident that it will benefit from this development.

As such, the Group plans to reform its business structure in 2016. While carrying on its existing cultural and media businesses in a prudent manner, the Group will expand into the film business to create synergies. To foster its long-term development, the Group appointed Mr. Siuming Tsui as an executive Director in December 2015 and as the Chief Executive Officer of the Group in January 2016. Mr. Siuming Tsui, who has extensive experience, broad network and great insight in the mainland and Hong Kong film industries, will provide able leadership to the Group's film and media business development while creating synergies for the Group's traditional advertising business by bringing in new connections and insights.

The Group has formulated short-, medium- and long-term development strategies for its film business. In the near future where the film business is still in an early stage, the Group will enlarge its immediate income stream by actively identifying quality film projects in progress for collaboration. In the medium-term, it will seek film partnership opportunities with seasoned production teams. Once the business has established a solid foothold, the Group will consider its own film production with the aim of providing quality entertainment while completing the Group's business model with short-, medium- and long-term incomes.

While progressively implementing these strategies, the Group has prepared itself for a strategic development in the Chinese cultural, media, film and TV markets where huge potential for growth presents.

As at the date of this announcement, the Group has already taken various strategic measures to lay a solid foundation for its long-term and sustainable growth. These measures, which include: (1) entering into a full partnership with Hehe Film in mid-February 2016 to acquire the target income right, being 55% of the net income from the box office in China of the movie Ip Man 3, at a consideration of approximately RMB110.0 million (equivalent to approximately HK$131.2 million) with contractual guarantees in favour of the Group (such as an investment cap of RMB110.0 million (equivalent to approximately HK$131.2 million) and a minimum total income from the target income right of RMB16.5 million (approximately HK$19.7 million) within one year from the first day of release) (as of the date hereof, box office receipts of Ip Man 3 has reached almost RMB800.0 million); and (2) appointing Mr. Shi Jianxiang and Mr. Siuming Tsui to join the Board and Mr. Ng See Yuen, Honorary Permanent President of the Hong Kong Film Directors' Guild, Chairman of the Federation of Hong Kong Filmmakers and a famous filmmaker, as an independent non-executive Director of the Group, will continue to strengthen the Board.

In the long run, the gradual recovery of the Chinese macro-economy and the rising consumption power of the overall Chinese population will boost the Group's film, TV, cultural and media businesses.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2015.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 13 March 2016 to 17 March 2016, both days inclusive, during which no transfer of shares will be registered. To determine eligibility 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on 12 May 2016.

FUND RAISING ACTIVITIES

On 18 November 2015, the Company and Orient Securities (Hong Kong) Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place, on a best effort basis, the placing shares comprising up to 167,988,424 new Shares at the placing price of HK$0.70 per placing share ("Placing Price") to not less than six independent placees. On 1 December 2015, a total of 167,000,000 Placing Shares were successfully placed to seven placees at the Placing Price of HK$0.70 per placing share. The net proceeds of the placing after deducting all the placing commission and all relevant expenses are approximately HK$114.6 million, which will be utilised as additional funds to finance the potential acquisition activities as identified by the Group from time to time and for its future developments. In addition, the placing will broaden the Company's shareholder base and strengthen its capital base and working capital position.

CORPORATE GOVERNANCE CODE

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

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

CODE PROVISION A.2.1

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

Mr. Chen Zhi, during the financial year ended 31 December 2015, acted as the chairman and chief executive officer of the Company. The Board met 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 had been taken and it would not have impaired the balance of power and authority between the Board and the management. Mr. Chen ceased to be the chief executive officer of the Company on 29 January 2016 and the chairman of the Company on 25 February 2016.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the directors of the Company of Listed Issuers (the "Model Code") as set forth in Appendix 10 of the Listing Rules as its own code of conduct for dealing in securities by the directors of the Company. Specific enquiries have been made with all the directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the period from the Listing Date to 31 December 2015.

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. Cai Jian Quan. 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 2015.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2015:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its listed shares during the year ended 31 December 2015. 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 2015.

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 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
Siuming Tsui
Executive Director (Chief Executive Officer)

Hong Kong, 29 March 2016

As at the date of this announcement, the executive Directors are Mr. Shi Jianxiang (Chairman), Mr. Chen Zhi, Mr. Siuming Tsui (Chief Executive Officer) and Mr. Yu Shiquan; the non-executive Directors are Mr. Chen Wei Dong and Ms. Chen Min; and the independent non-executive Directors are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, Mr. Cai Jianquan and Mr. Ng See Yuen.