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 2016

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 2016 together with the comparative figures for the corresponding period in 2015.

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 2016

	Note	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**19,125**	20,443
Intangible assets		**1,266**	1,500
Interests in associates	*4*	**–**	–
Prepayments, deposits and other receivables	*5*	**27,013**	22,907
		47,404	44,850
Current assets			
Inventories		**6,472**	5,583
Properties held for sale		**50,511**	51,527
Available-for-sale financial asset	*6*	**101,021**	–
Trade receivables – net	*7*	**10,314**	9,714
Prepayments, deposits and other receivables	*5*	**4,390**	5,382
Amounts due from related parties		**220**	522
Cash and cash equivalents		**117,729**	109,492
		290,657	182,220
Total assets		**338,061**	227,070
EQUITY			
Equity attributable to owners of the Company			
Share capital		**103,137**	86,295
Share premium		**753,655**	636,180
Other reserves		**54,885**	54,971
Accumulated deficits		**(659,816)**	(636,683)
		251,861	140,763
Non-controlling interests		**4,951**	4,955
Total equity		**256,812**	145,718

	Note	30 June 2016 RMB'000 Unaudited	31 December 2015 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**688**	688
Deferred income tax liabilities		**300**	360
		988	1,048
Current liabilities			
Trade payables	*8*	**4,388**	4,488
Other payables and accrued expenses		**40,033**	41,927
Bank borrowings	*9*	**12,464**	13,579
Current income tax liabilities		**19,267**	19,267
Amounts due to related parties		**4,109**	1,043
		80,261	80,304
Total liabilities		**81,249**	81,352
Total equity and liabilities		**338,061**	227,070

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**25,627**	41,749
Cost of sales	*11*	**(20,553)**	(43,496)
Gross profit/(loss)		**5,074**	(1,747)
Selling and marketing expenses	*11*	**(3,756)**	(9,598)
General and administrative expenses	*11*	**(24,604)**	(35,987)
Other gains – net	*10*	**–**	14
Other income	*10*	**75**	1,520
Operating loss		**(23,211)**	(45,798)
Finance income	*12*	**14**	199
Finance costs	*12*	**–**	(313)
Finance income/(costs) – net	*12*	**14**	(114)
Share of losses of associates	*4*	**–**	(4,115)
Provision for impairment of interests in associates	*4*	**–**	(5,006)
Loss before income tax		**(23,197)**	(55,033)
Income tax credit	*13*	**60**	117
Loss for the period		**(23,137)**	(54,916)

	Note	Six months ended 30 June	
		2016	2015
		RMB'000	*RMB'000*
		Unaudited	Unaudited
Loss attributable to:			
– Owners of the Company		**(23,133)**	(52,020)
– Non-controlling interests		**(4)**	(2,896)
		(23,137)	(54,916)
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Currency translation differences		**(86)**	–
Other comprehensive loss for the period		**(86)**	–
Total comprehensive loss for the period		**(23,223)**	(54,916)
Total comprehensive loss attributable to:			
– Owners of the Company		**(23,219)**	(52,020)
– Non-controlling interests		**(4)**	(2,896)
		(23,223)	(54,916)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*14*	**(0.0194)**	(0.0619)
– Diluted (RMB per share)	*14*	**(0.0194)**	(0.0619)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

The Company is an investment holding company and its subsidiaries 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 2016 is unaudited but has been reviewed by the Audit Committee. 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 on 26 August 2016.

Key events

The Company issued 200,000,000 ordinary shares at HK$0.80 each on 19 February 2016 (representing 16.6% of the total issued ordinary share capital of the Company as enlarged by the issuance) to two subscribers. Net proceeds from the share issuance amounted to HK$158,914,000 (approximately RMB134,317,000).

On 22 February 2016, the Group entered into a movie investment 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 in the amount of HK$131,168,000 (equivalent to RMB110,000,000) was settled by the Company on 23 February 2016.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

1.3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements except for the followings:

(a) The following amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact to the Group:

- Amendments to IFRS 10, IFRS 12 and IAS 28, 'Investments entities applying the consolidation exception'
- Amendments to IFRS 11, 'Accounting for acquisition of interests in joint operations'
- IFRS 14, 'Regulatory deferral accounts'
- Amendments to IAS 1, 'The 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'
- Amendment to IAS 27, 'Equity method in separate financial statements'
- Annual improvements to IFRSs – 2012-2014 cycle

(b) Financial assets

Classification

The Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'Trade receivables', 'Deposits and other receivables', 'Amounts due from related parties' and 'Cash and cash equivalents' in the consolidated balance sheet.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

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

(d) The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2016 and have not been early adopted by the Group:

Amendments to IAS 12, "Income taxes"	1 January 2017
Amendments to IAS 7, "Statement of cash flows"	1 January 2017
IFRS 9, "Financial Instruments"	1 January 2018
IFRS 15, "Revenue from Contracts with Customers"	1 January 2018
IFRS 16, "Leases"	1 January 2019
Amendments to IFRS 10 and IAS 28, "Sale or contribution of assets between an investor and its associate or joint venture"	Note

Note: To be announced by International Accounting Standards Board

The directors of the Company are in the process of assessing the financial impact of the adoption of the above new standards and amendments to standards. The directors of the Company will adopt the new standards and amendments to standards when they become effective.

1.4 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 2015.

2 Segment information

The executive directors have been identified as the chief operating decision maker ("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 assesses the performance of the Group's advertising, marketing, and printing 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 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, consulting and printing services, and outdoor advertising services and activities. Analysis of the revenue by category is as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising	**8,130**	28,172
Online services	**–**	735
Marketing, consulting and printing services, and outdoor advertising services and activities	**17,497**	12,842
	25,627	41,749

4 Interests in associates

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Balance at the beginning of the period	**–**	9,121
Share of post-acquisition losses	**–**	(4,115)
Provision for impairment of interests in associates	**–**	(5,006)
Balance at the end of the period	**–**	–

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 30 June 2015, the carrying amount of 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 is unsecured and interest-free.

During the six months ended 30 June 2015, full provision of RMB282,000 was recognised for Beijing HanDing in view of the significant deterioration in financial performance and full provision of RMB4,724,000 was recognised for Skybroad in view of the decline in revenue due to competition from incumbent competitors and new entrants in the voice over internet protocol software industry.

5 Prepayments, deposits and other receivables

	As at 30 June 2016 *RMB'000* Unaudited	As at 31 December 2015 *RMB'000* Audited
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	138,000
Prepayment for acquisition of properties *(note (ii))*	**23,282**	22,907
Prepayment for acquisition of property, plant and equipment	**312**	–
Deposit to a newspaper publisher *(note (iii))*	**30,000**	30,000
Rental deposits	**3,419**	–
	195,013	190,907
Less: provisions for impairment	**(168,000)**	(168,000)
Prepayments, deposits and other receivables – net	**27,013**	22,907
Current portion		
Prepayments to a newspaper publisher and others *(note (iv))*	**90,348**	90,407
Deposits and other receivables *(note (v))*	**17,331**	18,264
	107,679	108,671
Less: provisions for impairment	**(103,289)**	(103,289)
Prepayments, deposits and other receivables – net	**4,390**	5,382

The carrying amounts of the Group's prepayments, deposits and other receivables are denominated in the following currencies:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
RMB	**27,672**	28,289
HKD	**3,731**	–
	31,403	28,289

Note:

(i) Long term prepayment

As at 30 June 2016, long term prepayment represents cash paid by the Group to one (31 December 2015: one) metropolitan newspaper publisher in the PRC, namely Southeast Express, in relation to the potential establishment of a joint venture with the metropolitan newspaper publisher.

In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire prepayment totalling RMB138,000,000 made to Southeast Express has been provided for in prior years.

(ii) Prepayment for acquisition of properties

As at 30 June 2016, prepayment for acquisition of properties 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 properties is RMB22,164,000, out of which RMB15,470,000 were financed by mortgage loans on the properties granted by a bank to the Group. Details of the mortgage loans are disclosed in Note 9. Ownership of the properties is expected to be conveyed to the Group when construction is substantially completed before 31 December 2017.

(iii) Deposit to a newspaper publisher

As at 30 June 2016, deposit to a newspaper publisher represent cash paid by the Group to one (31 December 2015: one) metropolitan newspaper publisher in the PRC, namely Southeast Express, pursuant to exclusive agreement between the Group and the newspaper publisher.

The Group assesses the recoverable amount of the deposit on each balance sheet date and the carrying value of this amount is written down immediately to its recoverable amount if the recoverable amount is less than the carrying value. In view of the continuous decline in advertising revenue associated with the exclusive advertising rights over the years, the entire deposit of RMB30,000,000 made to Southeast Express has been provided for in prior years.

(iv) Prepayments to a newspaper publisher and others

Under the terms of an exclusive advertising agreement with one (31 December 2015: one) metropolitan newspaper publisher, the Group has to make prepayments for print media advertising to the newspaper publisher. The amount prepaid to the metropolitan newspaper publisher can be utilised as advertising costs in the coming 12 months.

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 has 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.

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, and considered no further impairment provision (31 December 2015: RMB10,024,000) is required for the period ended 30 June 2016.

6 Available-for-sale financial asset

	As at 30 June 2016 *RMB'000* **Unaudited**	As at 31 December 2015 *RMB'000* Audited
Investment in movie income right	**101,021**	–

Note:

On 22 February 2016, the Group entered into a movie investment agreement with Shanghai Hehe Film Investment Co., Ltd., pursuant to which the Group has agreed to acquire 55% of the income right of a movie, Ip Man 3, for 30 years. The consideration of HK$131,168,000 (equivalent to RMB110,000,000) was settled on 23 February 2016. Transaction costs that are directly attributable to the acquisition amounted to RMB1,021,000.

7 Trade receivables – net

	As at 30 June 2016 *RMB'000* Unaudited	As at 31 December 2015 *RMB'000* Audited
Trade receivables	**25,277**	25,462
Less: provision for impairment of trade receivables	**(14,963)**	(15,748)
Trade receivables – net	**10,314**	9,714

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 was as follows:

	As at 30 June 2016 *RMB'000* Unaudited	As at 31 December 2015 *RMB'000* Audited
1 – 30 days	**1,802**	2,402
31 – 60 days	**1,599**	713
61 – 90 days	**493**	540
91 – 180 days	**2,987**	1,711
181 – 365 days	**1,861**	4,021
Over 1 year	**16,535**	16,075
	25,277	25,462
Less: provision for impairment of trade receivables	**(14,963)**	(15,748)
Trade receivables – net	**10,314**	9,714

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

As at 30 June 2016, trade receivables of RMB3,374,000 (31 December 2015: RMB2,243,000) 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 2016, trade receivables of RMB14,963,000 (31 December 2015: RMB15,748,000) were impaired and provided for. For the six months ended 30 June 2016, the amounts of net reversal of provision credited to the interim condensed consolidated statement of comprehensive income was RMB785,000 (30 June 2015: net provision charged was RMB2,024,000).

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 2016, no trade receivable was directly written-off to the interim condensed consolidated statement of comprehensive income (30 June 2015: RMB699,000).

8 Trade payables

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**4,388**	4,488

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 invoice date was as follows:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**447**	521
31 – 90 days	**931**	1,087
Over 90 days	**3,010**	2,880
	4,388	4,488

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

9 Bank borrowings

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Bank borrowings – current *(Note (i))*	**12,464**	13,579

The maturity of the above borrowings based on scheduled repayment dates set out in the loan agreements and excluding the repayment on demand clause is as follows:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Within 1 year	**2,229**	2,229
Between 1 and 2 years	**2,230**	2,230
Between 2 and 5 years	**6,698**	6,698
Beyond 5 years	**1,307**	2,422
	12,464	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 properties (Note 5(ii)). 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 properties. The mortgage loans are secured by the ownership rights of the properties 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 properties 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 30 June 2016, 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 5.7% per annum.

The fair value of current borrowings approximates their carrying amount, the fair values are based on cash flows discounted using the effective interest rate and are within level 2 of the fair value hierarchy.

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

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Expiring within one year	**–**	20,000

On 6 March 2015, the Group obtained a short-term bank facility for borrowings of up to RMB20,000,000, provided that each drawdown shall require further 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 properties held by a wholly-owned subsidiary of the Group, at the discretion of the bank. The facility has expired on 5 March 2016.

10 Other income and other gains – net

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Other income:		
Sale of newsprint papers	**–**	171
Government grants	**–**	1,235
Sundry income	**75**	114
	75	1,520
Other gains – net:		
Gains on disposals of subsidiaries	**–**	14
	–	14

11 Expenses by nature

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

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper advertising		
– Media costs	**7,120**	28,167
Cost of online services	**–**	515
Cost of consulting and printing services, and outdoor advertising services and activities:		
– Raw material	**632**	1,751
– Media costs	**–**	1,288
– Other costs	**153**	48
Depreciation	**2,094**	4,515
Amortisation	**249**	685
Auditor's remuneration	**697**	1,006
Operating lease charges	**4,191**	2,734
Net loss on disposal of property, plant and equipment	**47**	1,815
Net (reversal of)/provision for impairment of trade receivables *(Note 7)*	**(785)**	2,024
Write-off of trade receivables *(Note 7)*	**–**	699
Provision for impairment of other receivables *(Note 5)*	**–**	3,600
Loss on disposals of properties held for sale	**36**	1,547
Write-off of property, plant and equipment	**4,836**	–
Net foreign exchange gain	**(3,121)**	(24)
Employee benefit expenses (including directors' emoluments)	**23,461**	29,217
Business tax	**712**	816

12 Finance income/(costs) – net

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**14**	199
Finance costs:		
– Interest expense on bank borrowings	**(375)**	(313)
Less: amounts capitalised on qualifying assets *(Note 5(ii))*	**375**	–
	–	(313)
Finance income/(costs) – net	**14**	(114)

13 Income tax credit

	Six months ended 30 June 2016	Six months ended 30 June 2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**–**	41
Deferred income tax	**(60)**	(158)
	(60)	(117)

14 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2016 and 2015 is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue, including bonus element, during the period.

	Six months ended 30 June 2016 Unaudited	Six months ended 30 June 2015 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(23,133)**	(52,020)
Weighted average number of shares in issue, including bonus element *(thousands)*	**1,190,930**	839,942
Basic loss per share *(RMB per share)*	**(0.0194)**	(0.0619)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding, including bonus element, to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2016 and 2015, the Company had no potential dilutive ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

During the first half of 2016, the global economy faced increasing headwind while the Chinese economy underwent structural adjustments under the reforms carried out by the central government to adapt to the "New Normal". As a result, the growth in China's gross domestic product ("GDP") slowed to 6.7%. Advertising expenditure was directly affected as enterprises were cautious about their prospects. For the real estate market in China, although property prices in first-tier cities across China continued to surge, second- and third-tier cities still suffered from enormous unsold stock, which deterred developers from buying land and commencing construction.

The advertising industry also went through structural adjustments. To cope with the change of reading habits of consumers and the "Internet Plus" initiative vigorously promoted by the central government, the marketing strategies of enterprises changed drastically and advertising expenditure were redirected from traditional media to new media at a rapid pace. According to the statistics published by CVSC – TNS Research ("CTR"), the Chinese advertising market as a whole grew by only 0.1% during the first six months of 2016 as compared with the corresponding period last year. In particular, traditional advertising expenditure continued to drop at a year-on-year rate of 6.2%, with newspaper advertising expenditure falling at an even higher rate. The overall income from newspaper advertising has dropped by 41.4%. The top-five industries of newspaper advertising customers have all cut their newspaper advertising expenditure significantly. Magazine advertising faced similar hardship and witnessed a year-on-year drop of 29.4% in advertising expenditure. In contrast, expenditures on Internet, commercial building video and cinema video advertising grew rapidly during the period by 26.9%, 23.1% and 77.1%, respectively, as compared with the corresponding period last year.

On the other hand, the Chinese cultural industry continued to grow steadily during the first half of the year. According to the National Bureau of Statistics, 48,000 enterprises in the Chinese cultural and related sectors across the nation recorded an increase in turnover of 7.9% during the period. The radio, film and television ("TV") industry expanded by 16.4% to RMB71.2 billion. Box-office data showed that although the growth rate of box office receipts in China has slowed down as compared with the last year, they still grew at a rate of 21%, bringing the total receipts to RMB24.285 billion in the first half of the year.

Business review

In the first half of 2016, the slowdown in China's economic growth and the increasingly cautious budget for marketing of many enterprises have created a challenging business environment for the Group. Moreover, with the trend to move from conventional printed media to online new media, the Group's newspaper advertising business, the online services business and consulting and printing services business were all affected, but to different extents.

Notwithstanding the challenges, the Group vigorously restructured itself during the period. Apart from steadily developing its existing cultural and media businesses, the Group also diversified into the film business with the view to seizing the growth opportunities in the Chinese film, TV and cultural industries. In December 2015, Mr. Siuming Tsui joined the Company as executive Director and in January 2016, he was further appointed as the chief executive officer. Mr. Siuming Tsui has extensive experience, network and expertise in the film industry in Hong Kong and China. In February 2016, the Group acquired the target income right, being 55% of the net income from box office in Mainland China, of the movie, *Ip Man 3*. The film investment has yet to contribute any income to the Group's financial results for the six months ended 30 June 2016 (the "Period").

During the Period, the Group recorded revenue from its core businesses in the amount of approximately RMB25.6 million (2015: RMB41.7 million). The Group's gross profit for the Period was RMB5.1 million (first half of 2015: gross loss of RMB1.7 million). The net loss after tax of the Group for the Period in the amount of approximately RMB23.1 million (first half of 2015: net loss of RMB54.9 million) was mainly the combined result of the following factors: (a) the significant drop in revenue from the Group's newspaper advertising business; (b) the slower-than-expected development of the Group's online businesses; (c) the slowdown of economic growth in China; and (d) the increases in staff costs and rental expenses due to the Group's diversification and business expansion.

To cope with the challenging business environment, the Group endeavoured to streamline its business and better allocate its resources. As a result of such endeavours, the Group's net loss after tax for the Period has slightly decreased as compared with the corresponding period last year.

Newspaper advertising

In recent years, enterprises' advertising expenditure on traditional printed media has been driven away by the rapidly-growing online new media and, in particular, the "self media" advertising channel in the emerging mobile Internet advertising channel. As a result, most of the enterprises engaging the traditional advertising business had been struggling. As reflected in the statistics of CTR, traditional media advertising declined in general, amongst which newspaper advertising shrank at an increasing speed. With the rapid development cycle of network technologies and the rapid changes in customers' habit, the Group's strategy to develop an integrated platform comprising both traditional printed media and online new media has yet to establish itself into a revenue-generating business model.

Due to the above factors, the Group's revenue from newspaper advertising for the first half of 2016 further dropped to RMB8.1 million, representing a significant year-on-year decrease of 71.3%. The Group's newspaper advertising business continued to be hard hit by the rapidly diminishing traditional printed media market. During the period, newspaper advertising accounted for approximately 31.6% of the Group's total revenue, representing a substantial decrease as compared with 67.6% for the corresponding period last year.

During the first half of the year, the Group's revenue was mainly contributed by *Southeast Express*. Although the Group continued to cooperate with *City Lifestyle Weekly*, its revenue contribution was negligible. To cope with the pressure and challenges from new media and the Internet, the Group has been actively exploring business models that integrate traditional printed media and online new media. In addition, the Group has planned to conduct a comprehensive assessment of its overall business strategy with aims to diversifying its source of income, tightening cost in shrinking business segments and increasing investment in promising business segments and opportunities. The Group will also adjust its overall management structure with the aim of further streamlining internal staff organisation.

Online services

With the support from the central government for Internet development under the "Internet Plus" strategy, Internet network coverage is expected to rise continuously and the development of the Internet across different industries is expected to continue to flourish. According to *The Overview of the Chinese Internet Industry in 2015 and the Report of Development Trend for 2016* issued by the Internet Society of China at the 6th Annual Conference of the Chinese Internet Industry for 2016 held in January 2016, the penetration of the Internet across the nation is expected to exceed 50% in 2016. Further, it is expected that the foundation of Internet development will be further strengthened, and advancements in Internet technologies will facilitate market expansion. Meanwhile, the *Guiding Opinions of the State Council on Actively Propelling the "Internet Plus" Actions Plans* proposed a further integration of the Internet and the manufacturing industry by 2018, through enhancing the informatisation, networking and digitalisation of the industry.

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 brought by such development trends, the Group has been adjusting its business and product profile, and integrating its expertise in traditional media with new technologies and consumer trend. During the period under review, the Group's online services continued to consist mainly of DNKB (www.dnkb.com.cn), Duk (www.duk.cn) and Fangke Web. In an effort to integrate its online and offline businesses, the Group has further developed new Internet media platforms with technologies and channels that complement the traditional media in terms of resources and technological standards.

During the period under review, the Group's online business underwent a process of internal restructuring and has not delivered any revenue, as compared with the revenue in the amount of RMB0.7 million for the corresponding period last year. Despite the Group's efforts in developing online business, this sector is still at a development stage and has yet to contribute positively to the Group's revenue and 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 a paid subscription system with users and a profit-sharing system with licensors. During the period under review, the number of active website members of Duk decreased. The Group will continue to develop its online services operation and collaborate with third-party digital platforms, with the view to gaining additional market share and establishing marketing channels targeting institutional users.

The overall performance of Fangke Web (www.fangke.cc), the Group's advertising platform operated by Fujian Fangke Network Technology Corporation Limited for the property market, was unsatisfactory due to the general economic slowdown in China. However, Fangke Web remained one of the development focuses of the Group's online business. As for DNKB, it has already launched its mobile application. With a user-friendly interface and clear focus on the healthcare, travel, automobile and property sectors, DNKB targets to be an important platform for interaction between publishers and netizens and readers. In addition, DNKB has rolled out a new marketing model with graphics, stories and videos tailored for events such as car shows.

The Group's businesses of online services and mobile Internet are still in early stages of development and have yet to contribute any profit. The Group is continuously carrying out business integration, technological development and upgrades to consolidate its position in the mobile Internet market, to seize greater market share with the view to achieving positive contribution in revenue and profitability in the long run.

Marketing, consulting and printing services

More and more readers now turn to computers, smart phones or tablets for news. This change in readers' habit significantly reduced the budget on printed media advertising, resulting in a hard hit to the businesses of traditional newspapers and magazines. Publishers are turning to digital publishing, reducing text content and increasing multimedia content to attract readers. As a result, the total print volume has decreased as compared with the corresponding period last year.

The Group and its staff have been striving to take all necessary actions to deliver the best content and services to its customers to fight for the best possible results for the Group. During the period under review, the Group continued to provide comprehensive printing and marketing services to *Southeast Express* and printed *Southeast Express*, *China Securities Journal* and *Shanghai Securities News*. The marketing, consulting and printing services segment recorded a revenue of RMB17.5 million during the period under review, representing an increase of over 36.7% as compared with last year. As the revenue from other segments of the Group dropped, the segment accounted for 68.4% of the Group's total revenue, as compared with 30.7% for the corresponding period last year.

With abundant resources, the sophisticated technologies of Fangke Web and professional marketing ability, the Group has strengthened the cooperation with its customers in terms of real estate marketing. During the Period, the Group's fees and commission incomes from the provision of marketing and promotion services for real estate projects amounted to RMB15.5 million, representing an increase of 89.0% as compared with RMB8.2 million for the six months ended 30 June 2015.

Against the difficult environment of printed media, the Group continues to explore new market positioning, new resources, new business models and new ideas to improve efficiency for its printing business. It intends to strengthen its relationship with existing partners and looks for potential new partners to improve its turnover. Cost control on loss-making segments is also enhanced. The Group considers that its objectives of reducing expenses and enhancing operating efficiency will benefit its printing and related services business by maintaining competitiveness amidst the adverse market environment.

Film business

To cope with the slowdown in the Chinese economy and the difficulties facing the newspaper advertising business in the near future, the Group has been actively searching for cultural, media and other business opportunities during the period with the view to diversifying income stream. In February 2016, the Group invested approximately RMB110 million (equivalent to approximately HK$131 million) to acquire the target income right, being 55% of the net income from the box office in Mainland China, of the movie *Ip Man 3*. The Group is hopeful that the diversification into the film business can help create business synergy with the core advertising and media businesses.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 38.6% from RMB41.7 million for the six months ended 30 June 2015 to RMB25.6 million for the six months ended 30 June 2016, primarily because of the slowdown in domestic economic growth due to a variety of factors, thereby posing a 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 RMB28.2 million for the six months ended 30 June 2015 to RMB8.1 million for the six months ended 30 June 2016 and revenue from marketing, consulting and printing services, and outdoor advertising services and activities increased from RMB12.8 million for the six months ended 30 June 2015 to RMB17.5 million for the six months ended 30 June 2016.

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

The Group recorded a gross profit of RMB5.1 million for the six months ended 30 June 2016, while gross loss was RMB1.7 million for the six months ended 30 June 2015. The increase in gross profit was mainly attributable to an increase in marketing and distribution management revenue, and containment of costs for newspaper advertising.

Other income

Other income decreased by 95.0% from RMB1.5 million for the six months ended 30 June 2015 to RMB75,000 for the six months ended 30 June 2016, primarly due to the decrease in income from government grants.

Other gains – net

No other gain was recorded by the Group for the six months ended 30 June 2016, while other gains of RMB14,000 were recorded for the six months ended 30 June 2015.

Selling and marketing expenses

Selling and marketing expenses decreased by 60.4% from RMB9.6 million for the six months ended 30 June 2015 to RMB3.8 million for the six months ended 30 June 2016 mainly due to decline in business and revenue during the period.

General and administrative expenses

General and administrative expenses decreased by 31.7% from RMB36.0 million for the six months ended 30 June 2015 to RMB24.6 million for the six months ended 30 June 2016, mainly due to a decrease in impairment provisions made for the other receivables and the streamlining of business, corporate structure and manpower.

Income tax credit

Income tax credit decreased by 48.7% from RMB117,000 for the six months ended 30 June 2015 to RMB60,000 for the six months ended 30 June 2016, mainly due to the decrease in temporary difference arising from the intangible assets for the period.

Results for the period

The Group recorded a net loss of RMB23.1 million for the six months ended 30 June 2016 mainly attributable to the diminution in revenue and unsatisfactory containment of general and administrative expenses during the period.

Liquidity and capital resources

	Six months ended 30 June	
	2016	2015
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(21,448)**	(26,015)
Net cash used in investing activities	**(103,514)**	(7,053)
Net cash generated from financing activities	**133,199**	14,701
Net increase/(decrease) in cash and cash equivalents	**8,237**	(18,367)
Cash and cash equivalents at beginning of the period	**109,492**	32,487
Cash and cash equivalents at end of the period	**117,729**	14,120

Cash flow used in operating activities

For the six months ended 30 June 2016, net cash used in operating activities amounted to RMB21.4 million, which is primarily attributable to the net loss for the period amounting to RMB23.1 million.

Cash flow used in investing activities

For the six months ended 30 June 2016, net cash used in investing activities amounted to RMB103.5 million, resulting primarily from acquisition of an investment classified as available-for-sale financial asset of RMB111.0 million, including transaction costs, offset by receipt from an investment classified as available-for-sale financial asset of RMB10.0 million.

Cash flow generated from financing activities

For the six months ended 30 June 2016, net cash generated from financing activities resulted primarily from net proceeds of RMB134.3 million from issuance of 200,000,000 ordinary shares at HK$0.8 each.

Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. The Group incurs capital expenditures mainly for the purchase of leasehold improvement and office equipment. The Group's capital expenditures were RMB5.9 million and RMB0.3 million for the six months ended 30 June 2016 and 30 June 2015, respectively.

Trade receivables – net

The following table sets out the aging analysis of the Group's trade receivables based on invoice date at the dates indicated:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis of trade receivables		
1 – 30 days	**1,802**	2,402
31 – 60 days	**1,599**	713
61 – 90 days	**493**	540
91– 180 days	**2,987**	1,711
181 – 365 days	**1,861**	4,021
Over 1 year	**16,535**	16,075
	25,277	25,462
Less: provision for impairment of trade receivables	**(14,963)**	(15,748)
Trade receivables – net	**10,314**	9,714

The Group's trade receivables increased by 6.2%, from RMB9.7 million as at 31 December 2015 to RMB10.3 million as at 30 June 2016. Such increase was mainly attributable to the slow down in the collection of trade receivable balances during the period.

Properties held for sale

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Properties held for sale	**50,511**	51,527

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 RMB1.0 million and RMB7.9 million for the six months ended 30 June 2016 and for the year ended 31 December 2015, respectively.

Trade payables

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	**447**	521
31 – 90 days	**931**	1,087
Over 90 days	**3,010**	2,880
	4,388	4,488

The Group's trade payables decreased by 2.2%, from RMB4.5 million as at 31 December 2015 to RMB4.4 million as at 30 June 2016, which was primarily attributable to the decrease in purchase activities resulting from the decline of printing business.

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 RMB15,470,000 to finance the Group's acquisition of properties (Note 5(ii)). 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 properties. The mortgage loans are secured by the ownership rights of the properties 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 properties 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 30 June 2016, 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 5.7% per annum.

On 6 March 2015, the Group obtained a short-term bank facility for borrowings of up to RMB20,000,000, provided that each drawdown shall require further 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 properties held by a wholly-owned subsidiary of the Group, at the discretion of the bank. The facility has expired on 5 March 2016.

Gearing ratio, being proportion of the Group's total borrowings to total assets, decreased from 6.0% as at 31 December 2015 to 3.7% as at 30 June 2016.

Capital commitments

Operating lease commitments - Group

The future aggregate minimum lease payments under non-cancellable operating lease are as follows:

	As at 30 June 2016	As at 31 December 2015
	RMB'000	*RMB'000*
	Unaudited	Audited
Not later than 1 year	**12,299**	3,198
Later than 1 year and not later than 5 years	**21,028**	3,601
Later than 5 years	**1,367**	1,400
	34,694	8,199

Contingent liabilities

As at 30 June 2016, the Group has no material contingent liabilities.

Human resources

As at 30 June 2016, the Group had approximately 235 full-time employees (31 December 2015: 291). Total staff costs including directors' remuneration for the six months ended 30 June 2016 was approximately RMB23.5 million (for the six months ended 30 June 2015: approximately RMB29.2 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 of the Company, which makes recommendations to the Board. In addition, the Remuneration Committee conducts regular reviews of Directors' and senior management's performance, and determines the compensation structure of the Group's senior management.

Subsequent events

The Company issued 241,388,000 ordinary shares at HK$0.41 each on 1 August 2016 (representing 16.7% of the total issued share capital of the Company as enlarged by the issuance) to not less than six independent placees procured by the placing agent. Net proceeds from the share issuance amounted to HK$97 million (approximately RMB83 million). Further details on the share placing and issuance are disclosed in the Company's announcements dated 11 July and 1 August 2016.

PROSPECTS

Looking forward to the second half of 2016, the global economy, including the economy in China, is expected to face more uncertainties. The Group intends to survive the difficult business environment by reducing costs, prudently managing its finances, adjusting its development strategies and exploring new opportunities. Nonetheless, the Board expects more challenges to come in the short term.

The Group anticipates that the loss-making situation of its core newspaper advertising business will not be able to turnaround in the near future. The Board is actively searching for cultural, media and other business opportunities to further broaden its revenue stream. To strengthen its working capital position in order to cope with the anticipated deterioration of the publishing and advertising business and prepare itself for any suitable investment opportunities that may be identified, the Group completed a placing of 241,388,000 new shares in August 2016 and raised net proceeds of approximately HK$97 million.

In view of the rapid development of the Chinese cultural and film industries, the Group will continue to grasp opportunities in the film industry. The box-office receipts in China grew at a rate of 21% in the first half of the year, making China the second largest film market in the world. As at July 2016, box-office receipts in China has exceeded RMB30 billion. According to some industry research reports, the film market of Mainland China is expected to overtake the United States to become the world's largest film market in 2017. The Group remains confident about the development of the Chinese film market. The Group will continue to capitalise on the extensive experience, network and vision of its professional team to create value for the Group and its shareholders.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

FUND RAISING ACTIVITIES

(a) Placing of 167,000,000 shares at HK$0.70 between November and December 2015

As announced by the Company on 18 November 2015, the Company entered into a placing agreement dated 18 November 2015 with a placing agent in relation to the placing of 167,988,424 ordinary shares of the Company at the placing price of HK$0.70. The placing was carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 21 May 2015. Completion of the placing took place on 1 December 2015, with 167,000,000 ordinary shares of the Company allotted and issued to not less than six independent placees procured by the placing agent.

The gross and net proceeds from the placing were approximately HK$116.9 million and HK$114.6 million, respectively. At the time of the placing, it was the intention of the Company to apply the net proceeds from the placing for general working capital of the Group. As of 30 June 2016, approximately HK$38 million was utilised for general working capital of the Group as intended, whereas the remaining balance of approximately HK$77 million remained unutilised and reserved by the Group as to (a) approximately HK$44 million being set aside for payment of the Group's accrued salaries, salaries and directors' emoluments for the next twelve months; (b) approximately HK$29 million being set aside for the rental and renovation expenses and equipment purchases of the Group's office premises for the next twelve months; and (c) approximately HK$4 million being set aside for loan principal and interest repayment for the next twelve months.

(b) Subscription of 200,000,000 shares at HK$0.80 between December 2015 and February 2016

As announced by the Company on 22 December 2015, the Company entered into two subscription agreements dated 22 December 2015 in relation to the subscriptions of 200,000,000 ordinary shares of the Company by two subscribers at the subscription price of HK$0.80. The subscriptions were carried out under the specific mandate approved by the Company's shareholders at the extraordinary general meeting held on 17 February 2016. Completion of the subscriptions took place on 19 February 2016 with 200,000,000 ordinary shares of the Company allotted and issued to the two subscribers.

The gross and net proceeds from the subscriptions were approximately HK$160 million and HK$159 million, respectively. At the time of the subscriptions, it was the intention of the Company to apply the net proceeds from the subscriptions (a) as to approximately RMB120 million (HK$144 million) for the acquisition of 55% of the target income right of the movie *Ip Man 3* for 30 years; and (b) the remaining balance for the general working capital of the Group and for investment in the media business as and when suitable opportunity arises. As at 30 June 2016, approximately RMB110 million (HK$131 million) was utilised for movie investment as intended and the remaining HK$28 million was unutilised and reserved for general working capital of the Group and if and when suitable investment opportunity in the media business arises.

(c) Placing of 241,388,000 shares at HK$0.41 between July and August 2016

As announced by the Company on 11 July 2016, the Company entered into a placing agreement dated 11 July 2016 with a placing agent in relation to the placing of 241,388,000 ordinary shares of the Company at the placing price of HK$0.41. The placing was carried out under the general mandate approved by the Company's shareholders at the annual general meeting held on 17 May 2016. Completion of the placing took place on 1 August 2016, with 241,388,000 ordinary shares of the Company allotted and issued to not less than six independent placees procured by the placing agent.

The gross and net proceeds from the placing were approximately HK$99 million and HK$97 million, respectively. At the time of the placing, it was the intention of the Company to apply the net proceeds from the placing to improve the working capital position of the Group in preparation for the prolonged deterioration of the Group's publishing and advertising business, amongst which (a) approximately HK$22 million was set aside for business development costs (including marketing and promotion expenses) for the Group's newspaper advertising business for the next twelve months; (b) approximately HK$9 million was set aside for the Group's professional fees (including legal and auditing fees) for the next twelve months; (c) approximately HK$9 million was set aside for the repayment of deposits of terminated or completed projects and other receipt in advance; (d) approximately HK$10 million is intended for the planned budget for business development costs (including extra staff costs and research expenses) for the Group's new media, movie and other cultural or media related (except newspaper advertising) businesses; and (e) approximately HK$47 million is intended for general working capital of other nature.

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") 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.

Since the commencement of the period under review, Mr. Chen Zhi acted as the chairman and chief executive officer (CEO) of the Company until (a) Mr. Siuming Tsui was appointed as the CEO of the Company on 29 January 2016; and (b) Mr. Shi Jianxiang was appointed as the chairman of the Company on 25 February 2016. Subsequently, on 1 April 2016, Mr. Shi Jianxiang resigned as the chairman and a director of the Company and since then the position of the chairman of the Company was vacated.

The Board met regularly to consider and review the major and appropriate issues which may affect the operations of the Company arising from the overlap of chairman and CEO and/or the vacancy of chairmanship. As such, the Board considers that the sufficient measures had been taken, and that either the overlap of chairman and CEO and/or the vacancy of chairmanship should 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 2016 and up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company has been established in compliance with Rules 3.21 and Rules 3.22 of the Listing Rules 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 currently 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 2016 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 2016. 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 2016.

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 2016 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and made available on the abovementioned websites in due course.

By order of the Board
ShiFang Holding Limited
Siuming Tsui
Chief Executive Officer

Hong Kong, 26 August 2016

As at the date of this announcement, the executive Directors are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi 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, and Mr. Cai Jianquan.