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 2016

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 13.7% from RMB67.0 million for the year ended 31 December 2015 to RMB57.8 million for the year ended 31 December 2016.
- The gross profit of the Group improved from the gross loss of RMB5.8 million for the year ended 31 December 2015 to the gross profit of RMB9.7 million for the year ended 31 December 2016.
- The Group recorded a net loss of RMB56.4 million for the year ended 31 December 2016, which is mainly attributable to the (i) decline in newspaper advertising revenue; and (ii) overheads and rental expenses incurred for the Group's business diversification and expansion.
- The Group recorded a basic loss per share of RMB0.0439 for the year ended 31 December 2016 as compared to a basic loss per share of RMB0.1755 for the year ended 31 December 2015.
- The Board does not recommend the payment of any final dividend for the year ended 31 December 2016.

The board of directors (the "**Board**") of ShiFang Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures for the year of 2015.

The financial information set out in this announcement below does not constitute the Group's consolidated financial statements for the year ended 31 December 2016 but represents an extract from those financial statements. The consolidated financial statements have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**20,093**	20,443
Intangible assets		**1,020**	1,500
Available-for-sale financial asset	*6*	**81,775**	–
Prepayments, deposits and other receivables	*8*	**27,157**	22,907
		130,045	44,850
Current assets			
Inventories		**912**	5,583
Properties held for sale	*5*	**43,774**	51,527
Trade receivables – net	*7*	**6,837**	9,714
Prepayments, deposits and other receivables	*8*	**2,734**	5,382
Amounts due from related parties		**292**	522
Cash and cash equivalents		**182,833**	109,492
		237,382	182,220
Total assets		**367,427**	227,070
EQUITY			
Equity attributable to owners of the Company			
Share capital	*11*	**123,919**	86,295
Share premium	*11*	**816,907**	636,180
Other reserves		**46,980**	54,971
Accumulated deficits		**(693,579)**	(636,683)
		294,227	140,763
Non-controlling interests		**5,692**	4,955
Total equity		**299,919**	145,718

	Note	2016 RMB'000	2015 RMB'000
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**688**	688
Deferred income tax liabilities		**240**	360
		928	1,048
Current liabilities			
Trade payables	*9*	**4,170**	4,488
Other payables and accrued expenses		**31,628**	41,927
Bank borrowings	*10*	**11,350**	13,579
Current income tax liabilities		**19,226**	19,267
Amounts due to related parties		**206**	1,043
		66,580	80,304
Total liabilities		**67,508**	81,352
Total equity and liabilities		**367,427**	227,070

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**57,759**	66,972
Cost of sales	*13*	**(48,034)**	(72,821)
Gross profit/(loss)		**9,725**	(5,849)
Selling and marketing expenses	*13*	**(7,953)**	(17,085)
General and administrative expenses	*13*	**(47,860)**	(88,767)
Provision for impairment of prepayments, deposits and other receivables	*13*	**–**	(33,800)
Other gains/(losses) – net	*12*	**3**	(15,231)
Other income	*12*	**1,624**	1,438
Operating loss		**(44,461)**	(159,294)
Finance income	*14*	**160**	206
Finance costs	*14*	**(12,183)**	–
Finance (costs)/income – net	*14*	**(12,023)**	206
Share of losses of associates		**–**	(4,115)
Provision for impairment of interests in associates		**–**	(5,006)
Loss before income tax		**(56,484)**	(168,209)
Income tax credit	*15*	**92**	1,029
Loss for the year		**(56,392)**	(167,180)
(Loss)/profit attributable to:			
– Owners of the Company		**(57,129)**	(163,792)
– Non-controlling interests		**737**	(3,388)
		(56,392)	(167,180)

	Note	**2016**	2015
		RMB'000	*RMB'000*
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Fair value loss on an available-for-sale financial asset		**(7,063)**	–
Currency translation differences		**(695)**	–
Other comprehensive loss for the year		**(7,758)**	–
Loss and total comprehensive loss for the year		**(64,150)**	(167,180)
(Loss)/profit and total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(64,887)**	(163,792)
– Non-controlling interests		**737**	(3,388)
		(64,150)	(167,180)
Loss per share for loss attributable to owners of the Company			
– Basic *(RMB per share)*	*16*	**(0.0439)**	(0.1755)
– Diluted *(RMB per share)*	*16*	**(0.0439)**	(0.1755)

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 (the "Publishing and Advertising Businesses") in the People's Republic of China (the "PRC"). The Group has been focusing on restructuring its Publishing and Advertising Business by consolidating with cultural media and film media business in PRC.

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

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

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 28 March 2017.

2 Basis of preparation

The consolidated financial statements of ShiFang Holding Limited have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and requirements of Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial asset at fair value.

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 to be included in the 2016 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 2015, except for the adoption of the following new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2016.

2.1.1 Changes in accounting policy and disclosures

(a) New standards and amendments to standards effective in 2016

Amendment 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
Amendment to IAS 27	Equity method in separate financial statements
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 14	Regulatory deferral accounts
Annual improvement project	Annual improvement 2012 – 2014 cycle

The adoption of these new standards and amendments to standards did not have any material impact on the financial statements for the current year or any prior years.

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

Amendment to IAS 7	Disclosure initiative[1]
Amendment to IAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendment to IFRS 2	Classification and measurement of share-based payment transactions[2]
Amendment to IFRS 4	Applying IFRS 9 financial instruments with IFRS 4 insurance contracts[2]
IFRS 15	Revenue from contracts with customers[2]
Amendment to IFRS 15	Clarification to IFRS 15[2]
IFRS 9	Financial instruments[2]
IFRS 16	Leases[3]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]

[1] *Effective for annual periods beginning on or after 1 January 2017*

[2] *Effective for annual periods beginning on or after 1 January 2018*

[3] *Effective for annual periods beginning on or after 1 January 2019*

[4] *Effective date to be determined*

A number of new standards and amendments to standards are effective for annual periods beginning on or after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

Impact of IFRS 15, 'Revenue from contracts with customers'

IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Management is currently assessing the effects of applying the new standard on the Group's financial statements and is not able to estimate the impact of the new rules on the Group's financial statements at this stage. The Group will make more detailed assessments of the impact over the next twelve months.

IFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

Impact of IFRS 16, 'Leases'

IFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The standard will affect primarily the accounting for Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB27,382,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's financial performance and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The new standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

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, consulting and printing services, and outdoor advertising services and activities. The total sales amount of the Group's five largest customers is RMB18,445,000 for the year ended 31 December 2016 (2015: RMB13,082,000). An analysis of the Group's revenue for the year is as follows:

	2016	2015
	RMB'000	*RMB'000*
Newspaper advertising	**17,127**	34,820
Marketing, consulting and printing services, and outdoor advertising services and activities	**40,632**	31,661
Online services	**–**	491
	57,759	66,972

4 Segment information

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

The Executive Directors assess the performance of the Group's advertising, marketing, 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 Properties held for sale

The Group's properties held for sale includes the following:

	2016	2015
	RMB'000	*RMB'000*
Properties held for sale	**43,774**	51,527

The properties in the PRC were received in exchange of advertising services to real estate developers in the PRC. The Group's intention is to sell these properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the advertising sales transaction if the related properties are ready to be sold.

Management assessed the fair value less costs to sell of the properties with reference to their market value with the assistance of an independent property valuer. Valuation methodologies used in the valuation included direct market comparable approach and income approach which are within Level 2 and Level 3 of the fair value hierarchy respectively. For direct market comparable approach, observable inputs other than quoted prices within Level 1 included market price of comparable properties adjusted having regard to the location, size and nature of the properties (Level 2). For income approach, unobservable inputs included expected rent income, growth rate and discount rate (Level 3). For the year ended 31 December 2016, the management compared the carrying amount and fair value less costs to sell of the properties and made further impairment provision of RMB1,152,000 (2015: RMB14,555,000) (Note 13).

The gain or loss on disposal and impairment loss of properties held for sale are recorded in "General and administrative expenses" in the consolidated statement of comprehensive income.

6 Available-for-sale financial asset

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**–**	–
Addition	**111,021**	–
Settlement	**(10,000)**	–
Interest expense	**(12,183)**	–
Changes in fair value recognised in other comprehensive income	**(7,063)**	–
At 31 December	**81,775**	–

Note:

On 22 February 2016, the Group entered into a movie investment agreement with Shanghai Hehe Film Investment Co., Ltd. ("Shanghai Hehe"), a movie executive producer in China, pursuant to which the Group has agreed to acquire 55% of the income right of a movie, Ip Man 3, for 30 years. The purchase consideration of HK$131,168,000 (equivalent to RMB110,000,000) was paid on 23 February 2016. Transaction costs that were directly attributable to the acquisition amounted to RMB1,021,000. Shanghai Hehe guaranteed to the Group that the total income from the income right within 1 year after the first release date will not be less than RMB16,500,000. During the year ended 31 December 2016, Shanghai Hehe acknowledged that the Group could, at minimum, receive RMB128,580,000 from the investment, of which RMB10,000,000 was already settled. The remaining balance was due on 3 January 2017 which was 10 months after the first PRC release date of the movie. The balance has not been settled up to the date of this announcement.

The fair value estimate of the investment in the movie income right was based on the cash flows discounted using a rate based on the market interest rate and risk premium specific to the investment (2016: 22%). Significant unobservable inputs involved in the fair value measurement included the expected timing of settlement and discount rate, which are within level 3 of the fair value hierarchy.

Changes to the following unobservable inputs can significantly affect the cash flow projections.

Unobservable inputs	**Range of unobservable inputs**	**Relationship of unobservable input to fair value**
Discount rate	22%	The higher the discount rate, the lower the fair value.
Expected timing of settlement	Over a period of 3 years	The longer the expected settlement period, the lower the fair value.

Management has assessed the recoverability of the investment in the movie income right, by evaluating past settlement record, the Group's on-going communications with Shanghai Hehe and credit profile of Shanghai Hehe, and considered that no impairment provision is required for the year ended 31 December 2016.

7 Trade receivables – net

	2016	2015
	RMB'000	*RMB'000*
Trade receivables	**20,882**	25,462
Less: provision for impairment of trade receivables	**(14,045)**	(15,748)
Trade receivables – net	**6,837**	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 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:

	2016	2015
	RMB'000	*RMB'000*
1 – 30 days	**1,645**	2,402
31 – 60 days	**1,099**	713
61 – 90 days	**139**	540
91 – 180 days	**833**	1,711
181 – 365 days	**1,838**	4,021
Over 1 year	**15,328**	16,075
	20,882	25,462
Less: provision for impairment of trade receivables	**(14,045)**	(15,748)
Trade receivables – net	**6,837**	9,714

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

As at 31 December 2016, trade receivables of RMB2,415,000 (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 default and the repayment periods are consistent with the Group's practice.

As at 31 December 2016, trade receivables of RMB14,045,000 (2015: RMB15,748,000) were impaired and provided for. For the year ended 31 December 2016, the amounts of the provision charged to the consolidated statement of comprehensive income were RMB821,000 (2015: RMB17,187,000).

During the year ended 31 December 2016, no trade receivables (2015: RMB1,072,000) were directly written-off to the consolidated statement of comprehensive income.

8 Prepayments, deposits and other receivables

	2016	2015
	RMB'000	*RMB'000*
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	138,000
Prepayment for acquisition of properties *(note (ii))*	**23,626**	22,907
Deposit to a newspaper publisher *(note (iii))*	**30,000**	30,000
Rental deposits	**3,531**	–
	195,157	190,907
Less: Provision for impairment	**(168,000)**	(168,000)
Prepayments, deposits and other receivables – net	**27,157**	22,907
Current portion		
Prepayment to a newspaper publisher and others *(note (iv))*	**89,922**	90,407
Deposits and other receivables (note (v))	**16,101**	18,264
	106,023	108,671
Less: Provision for impairment	**(103,289)**	(103,289)
Prepayments, deposits and other receivables – net	**2,734**	5,382

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

(i) Long term prepayment

As at 31 December 2016 and 2015, long term prepayment represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, in relation to the potential establishment of joint ventures with the metropolitan newspaper publisher.

In view of the continuous decline in 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 31 December 2016 and 2015, 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 10. During the year, the Group has capitalised borrowing costs amounting to RMB719,000 (2015: RMB743,000) on the prepayment.

(iii) Deposit to a newspaper publisher

As at 31 December 2016 and 2015, deposit to a newspaper publisher represents cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, pursuant to exclusive agreements 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 recoverable amount is less than the carrying value. In view of the continuous decline in 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) Prepayment to a newspaper publisher and others

Under the terms of certain advertising agreements with a metropolitan newspaper publisher, the Group has to make prepayment for print media advertising to the newspaper publisher. The amounts prepaid to the metropolitan newspaper publisher can be utilised as advertising costs in the coming 12 months.

In view of the continuous decline in revenue associated with the advertising agreement over the years, the entire prepayment totalling 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, impairment provision of RMB14,186,000 have been made in prior years including those from Southeast Express of RMB4,162,000, and considered that no further impairment provision is required for the year ended 31 December 2016.

9 Trade payables

	2016	2015
	RMB'000	*RMB'000*
Trade payables	**4,170**	4,488

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:

	2016	2015
	RMB'000	*RMB'000*
1 – 30 days	**699**	521
31 – 90 days	**532**	1,087
Over 90 days	**2,939**	2,880
	4,170	4,488

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

10 Bank borrowings

	2016	2015
	RMB'000	*RMB'000*
Bank borrowings – current *(Note (i))*	**11,350**	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:

	2016	2015
	RMB'000	*RMB'000*
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	**193**	2,422
	11,350	13,579

Notes (i):

As at 31 December 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 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.

The mortgage terms are 7 years and are denominated in RMB. The mortgage loans are carried at quarterly adjusted floating interest rate 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 was 5.81% (2015: 7.39%) per annum.

The fair value of current borrowings approximate 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.

Notes (ii):

The Group has the following undrawn borrowing facilities:

	2016	2015
	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 facilities shall be secured by the personal guarantee of Chen Zhi, executive director of the Company, 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, since then, the Group does not hold any bank facilities.

11 Share capital and share premium

	Number of ordinary shares	**Nominal value of ordinary shares**	**Equivalent nominal value of ordinary shares**	**Share premium**	**Total**
		HK$	*RMB'000*	*RMB'000*	*RMB'000*
Authorised:					
Ordinary shares of HK$0.1 each at 31 December 2016 and 2015 *(Note (a))*	2,000,000,000	0.1			
Issued:					
Ordinary shares at 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
Ordinary shares at 31 December 2015 and 1 January 2016	1,006,942,121	100,694,212	86,295	636,180	722,475
Net proceeds from issuance of ordinary shares *(Note (c))*	200,000,000	20,000,000	16,842	117,475	134,317
Net proceeds from issuance of ordinary shares *(Note (d))*	241,388,000	24,138,800	20,782	63,252	84,034
At 31 December 2016	1,448,330,121	144,833,012	123,919	816,907	940,826

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 issued ordinary shares of the Company as enlarged by the issuance) to 7 subscribers. The related transaction costs of RMB1,912,000 have been netted off against share premium.

(c) The Company issued 200,000,000 ordinary shares at HK$0.8 each on 19 February 2016 (representing 16.6% of the total issued ordinary shares of the Company as enlarged by the issuance) to 2 subscribers. The related transaction costs of RMB413,000 have been netted off against share premium.

(d) The Company issued 241,388,000 ordinary shares at HK$0.41 each on 1 August 2016 (representing 16.7% of the total issued ordinary shares of the Company as enlarged by the issuance) to 9 subscribers. The related transaction costs of RMB1,176,000 have been netted off against share premium.

12 Other income and other gains/(losses)

	2016	2015
	RMB'000	*RMB'000*
Other income:		
Compensation from customers	**1,168**	–
Government grants *(note a)*	**383**	1,236
Sale of scrap material	**–**	74
Sundry income	**73**	128
	1,624	1,438
Other gains:		
Gains on disposal of subsidiaries	**3**	17
	3	17
Other losses:		
Provision for impairment of intangible assets	**–**	(15,248)
	–	(15,248)
Other gains/(losses) – net	**3**	(15,231)

Notes:

(a) The Group obtained and recognised as income government grants of RMB383,000 (2015: RMB1,236,000) from the Fujian government authority for the year ended 31 December 2016 as an incentive for the Group to expand its business in the PRC.

13 Expenses by nature

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

	2016	2015
	RMB'000	*RMB'000*
Cost of newspaper advertising		
– Media costs	**16,792**	41,824
Cost of online services	**–**	60
Cost of consulting and printing services, and outdoor advertising services and activities:		
– Raw materials	**1,519**	5,461
– Media costs	**–**	1,466
– Other costs	**298**	263
Depreciation	**5,644**	8,931
Amortisation	**495**	1,345
Auditor's remuneration	**3,610**	3,891
Operating lease charges in respect of land and buildings	**11,098**	5,241
Net loss on disposal of property, plant and equipment	**292**	3,934
Net losses on disposals of properties held for sale	**539**	3,558
Provision for impairment of prepayments, deposits and other receivables (Note 8)	**–**	33,800
Provision for impairment of trade receivables, net of trade receivables written back *(Note 7)*	**(1,703)**	15,646
Write-off of trade receivables *(Note 7)*	**–**	1,072
Write-off of property, plant and equipment	**4,897**	–
Provision for impairment of properties held for sale *(Note 5)*	**1,152**	14,555
Provision for impairment of property, plant and equipment	**–**	2,171
Net foreign exchange gain	**(11,420)**	(1,330)
Employee benefit expenses (including directors' emoluments)	**45,751**	51,842
Business tax	**1,070**	2,825

14 Finance (costs)/income – net

	2016	2015
	RMB'000	*RMB'000*
Finance income:		
– Interest income on short-term bank deposits	**160**	206
Finance costs:		
– Interest expense on available-for-sale financial asset *(Note 6)*	**12,183**	–
– Bank borrowings	**719**	743
Less: amounts capitalised on qualifying assets *(Note 8(ii))*	**(719)**	(743)
Total finance costs	**12,183**	–
Finance (costs)/income – net	**(12,023)**	206

15 Income tax credit

	2016	2015
	RMB'000	*RMB'000*
Current income tax expense		
Mainland China enterprise income tax		
– Current tax expense	**28**	19
– Under provision in prior years	**–**	67
	28	86
Deferred income tax credit	**(120)**	(1,115)
	(92)	(1,029)

The Group has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2016 and 2015.

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

	2016	2015
	RMB'000	*RMB'000*
Loss before income tax	**(56,484)**	(168,209)
Tax calculated at domestic rates applicable to profits of the entities in the respective jurisdictions	**(11,722)**	(42,052)
Tax effects of:		
– Income not subject to tax	**(1,975)**	(303)
– Expenses not deductible for tax purposes	**6,642**	21,738
– Tax losses for which no deferred income tax asset was recognised	**7,992**	19,521
– Utilisation of previously unrecognised tax losses	**(1,029)**	–
– Under provision in prior years	**–**	67
	(92)	(1,029)

The weighted average applicable tax rate was 20.8% (2015: 25.0%). The decrease is mainly caused by the incorporation of certain subsidiaries in Hong Kong which were entitled to lower applicable tax rate.

16 Loss per share

(a) Basic

Basic loss per share for the years ended 31 December 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 during the year.

	2016	2015
Loss attributable to owners of the Company *(RMB'000)*	**(57,129)**	(163,792)
Weighted average number of shares in issue, including bonus element *(thousands)*	**1,301,178**	933,040
Basic loss per share *(RMB per share)*	**(0.0439)**	(0.1755)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the year ended 31 December 2016 and 2015, the Company has no dilutive potential ordinary shares.

17 Dividend

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

18 Subsequent events

Save as disclosed elsewhere in the announcement, there are no material subsequent events.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry review

Against the backdrop of global economic and political reshuffle as well as feeble external demand, Chinese economic growth dwindled in 2016. According to the data released by the National Bureau of Statistics, China's gross domestic product (GDP) in 2016 was RMB74.413 billion, representing a year-on-year increase of 6.7%. The GDP growth rate has dropped for six years straight for the first time since the kickoff of the Chinese economic reform. The media and advertising market is susceptible to the macro economy as various industries have become more cautious about their advertising expenditures. Adding that reading habits and media channels continued to reshape, the advertising industry was still undergoing structural adjustments.

According to a research report released by McKinsey & Company, an international management consultancy, total advertising expenditure in China sustained a growth in 2016 to over US$7 billion, making China the third largest advertising market in the world. Nevertheless, statistics in this research also demonstrated that more and more businesses were shifting their advertising resources from print media to the Internet. In particular, the share of print media in the overall advertising market has been dipping from 21% in 2011 to 11% in 2016. Meanwhile, the share of the Internet expanded from 21% to 33% during the same period.

After a decade of hasty expansion of over 30% in compound annual growth rate, China's film industry has finally entered a phase of rational development as the audience looks for quality films. According to the statistics of the State Administration of Press, Publication, Radio, Film and Television, gross box office receipts in China for 2016 amounted to RMB45.712 billion, up by 3.7% from RMB44.069 billion for 2015. The number of cinemagoers in urban areas was 1.372 billion, representing a year-on-year increase of 8.9%. A source in the industry noted that of 466 films premiered last year, only less than 30 recorded box office receipts of over RMB500 million, while approximately 280, or almost 70%, got box office receipts of less than RMB10 million.

On the other hand, economic growth in China entered a New Normal, in which the contribution of consumption is constantly growing. In 2016, total retail sales of consumer goods maintained a double-digit growth and contributed 64.6% of the overall economic expansion, reflecting a strong consumption. One of the main drivers of domestic consumption was home purchases. Home prices in first-tier cities in China have been on the rise since the start of last year. Subsequently, the price hike spread through Nanjing, Hefei, Suzhou, Xiamen and then other second- and third-tier cities. The surging home prices have stimulated the property market and spurred developers to bid for more land and to commence construction work, as evidenced by record land prices.

Business review

As reading habits of consumers continued to reshape, the Chinese advertising industry was still undergoing structural adjustments. The unstoppable shift of advertisers from print media to the Internet and other new media posed challenges to the newspaper advertising market in 2016. Both the newspaper advertising and printing service businesses of the Group were thus under pressure. Nevertheless, challenge comes with opportunity. The Group's well-recognised brand positioning and marketing services captured the opportunities brought by the active property market last year and boosted revenue from the marketing, consulting and printing services business and alleviated some of its pressure.

For the year ended 31 December 2016, the Group recorded revenue from core businesses of RMB57.8 million, representing a decline of 13.7% as compared with the previous year. Gross profit for the year was RMB9.7 million (2015: gross loss of RMB5.8 million). Gross profit margin of the Group for the year was 16.8% (2015: gross loss margin of 8.7%). Net loss after tax for the year narrowed to approximately RMB56.4 million (2015: approximately RMB167.2 million), mainly due to the following reasons: (a) the decrease in revenue of the newspaper advertising business, which was resulted from the competition from online new media and the slowdown in China's economic growth; (b) the slower-than-expected development of the online business; and (c) the rise in overheads and rental expenses due to the Group's diversification and business expansion efforts.

To capitalise on the booming development of the Chinese film and television (TV) as well as the cultural and media markets and create synergies, the Group continued to explore opportunities, such as investment in and production and management of film and TV projects, while carrying on its existing cultural and media business during the year under review.

In view of the challenging operating environment, the Group has been, on one hand, changing its business direction and, on the other hand, increasing its efficiency, cutting costs and focusing on profit-making businesses. With the concerted efforts of the management, net loss after tax for the year narrowed down significantly as compared with the previous year.

Newspaper advertising

As the young were flocking to online channels for information, online new media and mobile Internet advertising channels proliferated last year. In particular, the maturing "self media" advertising channel has been gaining share of advertising revenue from the traditional print media. The traditional advertising industry faced tremendous challenges in 2016.

Under the pressure and threats brought by the new media and the Internet, the Group only kept *Southeast Express* while terminating the other newspapers in 2016. Unfortunately, *Southeast Express* was also unprofitable due to a significant drop in daily circulation and number of pages during the year under review.

In 2016, the Group's revenue from newspaper advertisements diminished further to RMB17.1 million, down by 50.8% as compared with the previous year. Revenue from this segment accounted for approximately 29.7% of the Group's total revenue, much lower than that of 51.9% for the corresponding period last year.

The Group expects the business performance of its core newspaper advertising business to persist in the near future. The Board will actively explore opportunities in the cultural, media and other businesses so as to diversify its revenue stream.

Online services

In 2016, the Group's online services consisted mainly of Fangke Web (www.fangke.cn), DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). In an effort to integrate its online and traditional print media channels and create synergies in terms of resources and technologies, the Group has further developed new Internet media platforms.

During the year under review, the online service business was still seeking ways to generate profit, and has not delivered any revenue or gross profit (2015: revenue of RMB0.5 million; gross profit of RMB0.4 million). In order to enhance resource efficiency, the Group decided to streamline the technician teams of the three aforementioned websites in the second half of 2016 so as to curb costs.

Marketing, consulting and printing services

As print media were increasingly replaced by online new media, the operating environment has been deteriorating. Nevertheless, taking advantage of the prosperous property market and leveraging the Group's capital strength, technological edge and professional team, the marketing division recorded satisfactory results and bolstered the marketing, consulting and printing service business as a whole in 2016. Revenue from those services increased by 28.3% as compared with the previous year to RMB40.6 million during the year under review, representing 70.3% of the revenue from the core businesses.

The Group endeavours to maintain exclusive co-operation with some of its existing newspaper partners by selling their advertising spaces and providing them with integrated services as well as certain additional services, such as printing, 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 concentrated on printing *Southeast Express*. The Group will insist on its stringent control of the printing quality of its publications so as to ensure the quality of all of its advertisements and provide the best services to its existing media partners.

Furthermore, the active property market in China during the year under review has driven up the number of property projects that engaged us in their marketing. In addition, the property development projects secured in 2015 were available for sale during the year. Sales of such properties contributed marketing income to the Group and boosted the planning fee and commission income from the Group's planning and marketing services for property projects to RMB36.5 million, representing an increase of 61.5% as compared with 2015.

FINANCIAL REVIEW

Revenue

Total revenue decreased by 13.7% from RMB67.0 million for the year ended 31 December 2015 to RMB57.8 million for the year ended 31 December 2016, 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 RMB34.8 million for the year ended 31 December 2015 to RMB17.1 million for the year ended 31 December 2016 and revenue from marketing, consulting and printing services increased from RMB31.7 million for the year ended 31 December 2015 to RMB40.6 million for the year ended 31 December 2016.

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

Gross profit increased from gross loss of RMB5.8 million for the year ended 31 December 2015 to gross profit of RMB9.7 million for the year ended 31 December 2016. Gross profit margin improved from gross loss margin of 8.7% in 2015 to gross profit margin of 16.8% in 2016, which was primarily attributable to the satisfactory performance of marketing, consulting and printing services, which offset the significant drop in revenue of newspaper advertising.

Other income

Other income increased by 14.3% from RMB1.4 million for the year ended 31 December 2015 to RMB1.6 million for the year ended 31 December 2016, primarily due to the increase in compensation income from clients for aborted projects and decrease in income from government grants.

Other gains/(losses) – net

Net other gains amounted to RMB3,000 for the year ended 31 December 2016 mainly represented gain on disposal of a subsidiary while the net other losses amounted to RMB15.2 million for the year ended 31 December 2015 was mainly due to the provision for impairment of intangible assets.

Selling and marketing expenses

Selling and marketing expenses decreased by 53.2% from RMB17.1 million for the year ended 31 December 2015 to RMB8.0 million for the year ended 31 December 2016, mainly due to the drop in revenue during the year.

General and administrative expenses

General and administrative expenses decreased by 46.1% from RMB88.8 million for the year ended 31 December 2015 to RMB47.9 million for the year ended 31 December 2016, mainly due to the decrease in provision for impairment of trade receivables and properties held for sale of RMB17.3 million and RMB13.4 million respectively and the increase in exchange gain of RMB10.1 million, which were partially offset by the increases in staff costs and rental expenses.

Provision for impairment of prepayments, deposits and other receivables

Provision for impairment of prepayments, deposits and other receivables decreased by 100% from RMB33.8 million for the year ended 31 December 2015 to nil for the year ended 31 December 2016. The provision which was mainly made for prepayments, to certain metropolitan newspaper publishers in PRC of RMB 18.6 million during the year ended 31 December 2015, which no longer affect the Group's results in 2016.

Loss before income tax

As a result of the above factors, loss before income tax for the year ended 31 December 2016 was RMB56.5 million, representing a decrease of 66.4% as compared to loss before income tax of RMB168.2 million for the year ended 31 December 2015.

Income tax credit

Income tax credit decreased by 90.0% from RMB1.0 million for the year ended 31 December 2015 to RMB0.1 million for the year ended 31 December 2016 as a result of the decrease in taxable temporary difference in intangible assets.

Loss for the year

The Group recorded a net loss for the year of RMB56.4 million for the year ended 31 December 2016, mainly attributable to the decline in newspaper advertising revenue, and the increases in overheads and rental expenses due to the Group’s business diversification and expansion.

Profit/(loss) attributable to non-controlling interests

As a result of the above factors, profit attributable to non-controlling interests increased from loss of RMB3.4 million for the year ended 31 December 2015 to profit of RMB0.7 million for the year ended 31 December 2016.

Loss attributable to owners of the Company

As a result of the above factors, loss attributable to owners of the Company decreased from RMB163.8 million for the year ended 31 December 2015 to RMB57.1 million for the year ended 31 December 2016.

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 2016, the Group recorded a net loss of RMB56.4 million and a net cash inflow of RMB62.2 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	
	2016	2015
	RMB'000	*RMB'000*
Net cash used in operating activities	**(47,318)**	(17,534)
Net cash used in investing activities	**(106,620)**	(12,380)
Net cash generated from financing activities	**216,114**	106,919
Net increase in cash and cash equivalents	**62,176**	77,005
Cash and cash equivalents at beginning of the year	**109,492**	32,487
Exchange gains on cash and cash equivalents	**11,165**	–
Cash and cash equivalents at end of the year	**182,833**	109,492

Cash flows used in operating activities

For the year ended 31 December 2016, net cash used in operating activities amounted to RMB47.3 million, primarily attributable to the net loss for the year amounted to RMB56.4 million.

Cash flows used in investing activities

For the year ended 31 December 2016, net cash used in investing activities amounted to RMB106.6 million, mainly due to the acquisition of an investment classified as available-for-sale financial asset at RMB111.0 million (including transaction cost) which offset the receipt from an investment classified as available-for-sale financial asset of RMB10.0 million.

Cash flows generated from financing activities

For the year ended 31 December 2016, net cash generated from financing activities amounted to RMB216.1 million, mainly attributable to the net proceeds of RMB134.3 million and RMB84.0 million from the issuance of 200,000,000 and 241,388,000 ordinary shares at HK$0.8 and HK$0.41 each respectively.

Capital expenditures

Capital expenditures incurred during the year are mainly for the renovation of office and the purchase of motor vehicles. Capital expenditures were RMB18.4 million and RMB6.5 million for the years ended 31 December 2015 and 2016, 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	
	2016	2015
Aging analysis of trade receivables	***RMB'000***	*RMB'000*
1 – 30 days	**1,645**	2,402
31 – 60 days	**1,099**	713
61 – 90 days	**139**	540
91 – 180 days	**833**	1,711
181 – 365 days	**1,838**	4,021
Over 1 year	**15,328**	16,075
Total	**20,882**	25,462
Less: provision for impairment of trade receivables	**(14,045)**	(15,748)
Total trade receivables – net	**6,837**	9,714

Trade receivables decreased by 29.9% from RMB9.7 million as at 31 December 2015 to RMB6.8 million as at 31 December 2016. 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	
	2016	2015
	RMB'000	*RMB'000*
Properties held for sale	**43,774**	51,527

The properties in the PRC were received in exchange of advertising services to real estate developers in the PRC. The Group's intention is to sell these properties and, accordingly, such rights are recognised as properties held for sale upon the completion of the advertising sales transaction if the related properties are ready to be sold.

Management assessed the fair value less costs to sell of the properties with reference to their market value with the assistance of an independent property valuer. For the year ended 31 December 2016, the management compared the carrying amount and fair value less costs to sell of the properties and made further impairment provision of RMB1,152,000 (2015: RMB14,555,000).

Trade payables

	As at 31 December	
	2016	2015
Trade payables	***RMB'000***	*RMB'000*
1 – 30 days	**699**	521
31 – 90 days	**532**	1,087
Over 90 days	**2,939**	2,880
Total	**4,170**	4,488

Trade payables decreased by 6.7% from RMB4.5 million as at 31 December 2015 to RMB4.2 million as at 31 December 2016. Trade payables turnover days increased from 241 days for the year ended 31 December 2015 to 464 days for the year ended 31 December 2016, which was mainly due to the longer settlement period of payables during 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 RMB15,470,000 to finance the Group's acquisition of properties (Note 8(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 guarantees of Zheng Bai Ling and Zhang Hui, a key management and the spouse of a key management of a subsidiary of the Group respectively. 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 31 December 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 year was 5.81% 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 the proportion of the Group's total borrowings to total assets, decreased from 6.0% for the year ended 31 December 2015 to 3.1% for the year ended 31 December 2016.

Commitments

Operating lease commitments – Group

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

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Not later than 1 year	**12,425**	3,198
Later than 1 year and not later than 5 years	**14,957**	3,601
Later than 5 years	**–**	1,400
	27,382	8,199

Contingent liabilities

As at 31 December 2016 and 2015, the Group had no material contingent liabilities.

Human resources

As at 31 December 2016, the Group had 238 full-time employees (2015: 291). Total staff costs including directors' remuneration for the year ended 31 December 2016 were RMB45.8 million (2015: RMB51.8 million).

The remuneration of the directors is evaluated by the remuneration committee, which also 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

Saved as disclosed elsewhere in this announcement, there were no material subsequent events.

Prospects

Looking forward to 2017, the Chinese economy is expected to grow steadily as a whole, and the central government targets at a growth rate of around 6.5% in GDP. The Group believes that it will enjoy enormous room for business expansion as the demand of the Chinese consumers for film, TV and other cultural products will remain strong and the property market will be bolstered by solid demand.

For the newspaper advertising business, the Group will actively carry on the integration of the traditional print media and online new media, though it has not yet identified a profitable business model. To cope with the expected continual deterioration of the publishing and advertising business, the Group will also prepare itself for any suitable investment opportunities in the future.

The Group is confident about the prospects of the property marketing business. With years of marketing experience and the expertise of its team, it will step up its investment to identify opportunities to provide planning and marketing services to more property projects, thereby improving and expanding this sector. The management is well aware of the potential of the upstream commercial property market, and is currently studying potential market opportunities of offering more comprehensive marketing services to commercial property projects.

Leveraging years of experience in the print media industry, the Group has gained unique and indepth insight and knowledge in terms of product and brand positioning, media procurement and integration of marketing channels to formulate quality turnkey marketing proposals for its clients. To fully utilise these expertise, the Group is set to diversify into the consumer product market.

Being one of the mainstream entertainments in Mainland China, films will continue to enjoy a huge audience and enormous potential in the future, particularly in the second- and third-tier cities. The Group is of the view that an attractive theme and a talented film crew comprising director, screenwriter and actors will make a good entertainment that amuses the viewers, achieve good box office and bring returns to the investors.

Effective from March this year, the Film Industry Promotion Law (《電影產業促進法》) simplified the approval processes, and the removal of the movie shooting permit（電影拍攝許可證）is expected to encourage talent to enter and investment in the film industry, thereby stimulating the Chinese film market.

In view of the emergence of online films and online TV series thanks to the proliferation of mobile phones and tablets, the Group plans to diversify into the business of online videos, with the view to integrating the traditional film and TV with new media. The Group believes that the prospects of the film, TV and cultural market will be promising, and will keep an eye on and seize investment opportunities in independent productions.

With the extensive experience in film and TV entertainment production and management as well as the influence of its management team, particularly Mr. Siuming Tsui, an executive director and Chief Executive Officer, the Board believes that the Group will be able to seize the value of film and TV contents while devising a comprehensive film, TV and cultural business model.

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 23 May 2017 to 25 May 2017, 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 22 May 2017.

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 at 31 December 2016, approximately HK$75.4 million was utilised for general working capital of the Group as intended, whereas the remaining balance of approximately HK$39.2 million remained unutilised and reserved by the Group as to (a) approximately HK$20.4 million being set aside for payment of the Group's accrued salaries, salaries and directors' emoluments for the next twelve months; (b) approximately HK$16.9 million being set aside for the rental expenses of the Group's office premises for the next twelve months; and (c) approximately HK$1.9 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 31 December 2016, approximately RMB111 million (HK$132 million) was utilised for movie investment as intended and the remaining HK$27 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 audit 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. As at 31 December 2016, the entire net proceeds of approximately HK$97 million remained unutilised.

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.

Since the commencement of the year under review, Mr. Chen Zhi acted as the chairman and chief executive officer (the "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 has been vacated. The Company is identifying suitable candidate to fill the vacancy of chairman.

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.

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.

Code Provision E.1.2

Under code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting.

The Board has invited Mr. Chen Zhi, an executive director and ex-chairman of the Company to act as the chairman of the annual general meeting of the Company which was held on 17 May 2016, as the position of the chairman of the Company has been vacated since 1 April 2016. The Board considered that Mr. Chen Zhi was the appropriate person to answer questions, if any, from shareholders at the annual general meeting.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set forth in Appendix 10 to 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 incumbent directors of the Company and all of them confirmed and declared that they have complied with the required standards as set out in the Model Code during the year ended to 31 December 2016.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules with written terms 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 auditor, 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 Jianquan. 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 2016.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 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 draft 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2016.

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 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
Executive Director and Chief Executive Officer

Hong Kong, 28 March 2017

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