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SHIFANG HOLDING LIMITED
十方控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock code: 1831)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 2017 together with the comparative figures for the corresponding period in 2016.

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 2017

	Note	**30 June 2017** *RMB'000* **Unaudited**	31 December 2016 *RMB'000* Audited
ASSETS			
Non-current assets			
Property, plant and equipment		**17,206**	20,093
Intangible assets		**775**	1,020
Available-for-sale financial asset	*4*	**76,726**	81,775
Prepayments, deposits and other receivables	*5*	**56,873**	27,157
		151,580	130,045
Current assets			
Inventories		**1,123**	912
Properties held for sale		**35,909**	43,774
Trade receivables – net	*6*	**8,336**	6,837
Prepayments, deposits and other receivables	*5*	**11,928**	2,734
Amounts due from related parties		**870**	292
Cash and cash equivalents		**123,517**	182,833
		181,683	237,382
Total assets		**333,263**	367,427
EQUITY			
Equity attributable to owners of the Company			
Share capital		**123,919**	123,919
Share premium		**816,907**	816,907
Other reserves		**47,738**	46,980
Accumulated deficits		**(726,622)**	(693,579)
		261,942	294,227
Non-controlling interests		**5,793**	5,692
Total equity		**267,735**	299,919

	Note	30 June 2017 RMB'000 Unaudited	31 December 2016 RMB'000 Audited
LIABILITIES			
Non-current liabilities			
Amount due to a related party		**–**	688
Deferred income tax liabilities		**180**	240
		180	928
Current liabilities			
Trade payables	*7*	**4,536**	4,170
Other payables and accrued expenses		**30,842**	31,628
Bank borrowings	*8*	**10,235**	11,350
Current income tax liabilities		**19,305**	19,226
Amounts due to related parties		**430**	206
		65,348	66,580
Total liabilities		**65,528**	67,508
Total equity and liabilities		**333,263**	367,427

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Revenue	*3*	**20,443**	25,627
Cost of sales	*10*	**(15,611)**	(20,553)
Gross profit		**4,832**	5,074
Selling and marketing expenses	*10*	**(2,109)**	(3,756)
General and administrative expenses	*10*	**(30,796)**	(24,604)
Other income	*9*	**6**	75
Operating loss		**(28,067)**	(23,211)
Finance income	*11*	**271**	14
Finance costs	*11*	**(5,049)**	–
Finance (costs)/income – net	*11*	**(4,778)**	14
Loss before income tax		**(32,845)**	(23,197)
Income tax (expenses)/credit	*12*	**(47)**	60
Loss for the period		**(32,892)**	(23,137)

	Note	Six months ended 30 June	
		2017	2016
	Note	***RMB'000***	*RMB'000*
		Unaudited	Unaudited
Loss attributable to:			
– Owners of the Company		**(32,993)**	(23,133)
– Non-controlling interests		**101**	(4)
		(32,892)	(23,137)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Currency translation differences		**708**	(86)
Other comprehensive income/(loss) for the period		**708**	(86)
Total comprehensive loss for the period		**(32,184)**	(23,223)
Total comprehensive loss attributable to:			
– Owners of the Company		**(32,285)**	(23,219)
– Non-controlling interests		**101**	(4)
		(32,184)	(23,223)
Loss per share for loss attributable to owners of the Company			
– Basic (RMB per share)	*13*	**(0.0228)**	(0.0194)
– Diluted (RMB per share)	*13*	**(0.0228)**	(0.0194)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1.1 General information

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 Businesses by consolidating with cultural and film media businesses in 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 2017 is unaudited but has been reviewed by the Audit Committee of the Company. This condensed consolidated interim financial information is presented in Renminbi (RMB), unless otherwise stated.

This condensed consolidated interim financial information has been approved for issue by the Board on 29 August 2017.

Key events

The Group entered into an acquisition agreement with shareholders of Supreme Glory Limited (the "Vendors") on 8 May 2017 pursuant to which the Group conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Supreme Glory Limited for a consideration of HK$340,000,000.

1.2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, 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 2016, as described in those annual financial statements except for the followings:

The following amendments to IFRSs effective for the financial year ending 31 December 2017 do not have a material impact to the Group:

- Amendments to IAS 12, "Income taxes"
- Amendments to IAS 7, "Statement of cash flows"
- Amendment to IFRS 12, 'Disclosure of interest in other entities'

The adoption of the above amendments to existing standards does not have material impact on the condensed consolidated interim financial information.

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 2016.

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 the 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.

3 Revenue

Revenue from external customers are derived from the provision of newspaper advertising services to advertisers in the PRC, and the provision of marketing, consulting and printing services. Analysis of the revenue by category is as follows:

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Newspaper advertising	**3,472**	8,130
Marketing, consulting and printing services	**16,971**	17,497
	20,443	25,627

4 Available-for-sale financial asset

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
At 1 January	**81,775**	–
Addition	**–**	111,021
Settlement	**–**	(10,000)
Interest expense *(Note 11)*	**(5,049)**	–
At 30 June	**76,726**	101,021

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 are directly attributable to the acquisition amounted to RMB1,021,000. In May 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 in June 2016. The remaining balance of the movie income right was due on 3 January 2017, being 10 months after the first PRC release date of the movie. The balance has not been settled by Shanghai Hehe up to the date of this report.

The fair value estimate of the investment in movie income right was based on the cash flows discounted using a rate of 22% (31 December 2016: 22%) based on the market interest rate and risk premium specific to the investment. 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.

In following up with Shanghai Hehe as to their repayment of the balance payment of the movie income right, the management has considered publicly available information on box office ticketing of the movie, the acknowledgment of ticketing and income right by Shanghai Hehe in May 2016, the partial payment made by Shanghai Hehe in June 2016, the ongoing communications with Shanghai Hehe before and after January 2017, and the market information regarding the business prospect of Shanghai Hehe. Based on the information obtained, management has assessed the recoverability of the investment in the movie income right, and considered that no impairment provision is required for the period ended 30 June 2017.

5 Prepayments, deposits and other receivables

	As at 30 June 2017 *RMB'000* Unaudited	As at 31 December 2016 *RMB'000* Audited
Non-current portion		
Long term prepayment *(note (i))*	**138,000**	138,000
Prepayment for acquisition of properties *(note (ii))*	**23,938**	23,626
Deposit to a newspaper publisher *(note (iii))*	**30,000**	30,000
Rental deposits	**3,426**	3,531
Deposit for a proposed acquisition *(note (iv))*	**29,509**	–
	224,873	195,157
Less: provisions for impairment	**(168,000)**	(168,000)
Prepayments, deposits and other receivables – net	**56,873**	27,157
Current portion		
Prepayments to a newspaper publisher and others *(note (v))*	**90,725**	89,922
Deposits and other receivables *(note (vi))*	**24,492**	16,101
	115,217	106,023
Less: provisions for impairment	**(103,289)**	(103,289)
Prepayments, deposits and other receivables – net	**11,928**	2,734

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

	As at 30 June 2017 *RMB'000* **Unaudited**	As at 31 December 2016 *RMB'000* Audited
RMB	**34,842**	26,314
HK$	**33,959**	3,577
	68,801	29,891

Note:

(i) Long term prepayment

As at 30 June 2017 and 31 December 2016, 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 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 2017 and 31 December 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 8. During the period, the Group has capitalised borrowing costs amounting to RMB312,000 (30 June 2016: RMB375,000) on the prepayment.

(iii) Deposit to a newspaper publisher

As at 30 June 2017 and 31 December 2016, deposit to a newspaper publisher represent cash paid by the Group to a metropolitan newspaper publisher in the PRC, namely Southeast Express, pursuant to exclusive agreement between the Group and the newspaper publisher.

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) Deposit for a proposed acquisition

Pursuant to the acquisition agreement signed on 8 May 2017, the Group conditionally agreed to acquire and the Vendors conditionally agreed to sell the entire equity interest in Supreme Glory Limited for a consideration of HK$340,000,000. As at 30 June 2017, the Group paid HK$34,000,000 (equivalent to approximately RMB29,509,000) as a deposit for the acquisition. The deposit is non-interest bearing and is refundable if the acquisition is terminated.

(v) Prepayments to a newspaper publisher and others

Under the terms of an exclusive advertising agreement with a metropolitan newspaper publisher, namely Southeast Express, 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.

As at 30 June 2017, prepayments of RMB89,103,000 (31 December 2016: RMB89,103,000) were impaired and provided for. Management has assessed the recoverability of the prepayments, including the prepayment made to Southeast Express of RMB83,927,000 that have been provided for in prior years, and considered no further impairment provision is required for the period ended 30 June 2017.

(vi) Deposits and other receivables

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

As at 30 June 2017, deposits and other receivable of RMB14,186,000 (31 December 2016: RMB14,186,000) were impaired and provided for. 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 is required for the period ended 30 June 2017.

6 Trade receivables – net

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade receivables	**23,096**	20,882
Less: provision for impairment of trade receivables	**(14,760)**	(14,045)
Trade receivables – net	**8,336**	6,837

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 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
1 – 30 days	**2,078**	1,645
31 – 60 days	**1,865**	1,099
61 – 90 days	**398**	139
91 – 180 days	**893**	833
181 – 365 days	**1,352**	1,838
Over 1 year	**16,510**	15,328
	23,096	20,882
Less: provision for impairment of trade receivables	**(14,760)**	(14,045)
Trade receivables – net	**8,336**	6,837

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

As at 30 June 2017, trade receivables of RMB2,232,000 (31 December 2016: RMB2,415,000) 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 2017, trade receivables of RMB14,760,000 (31 December 2016: RMB14,045,000) were impaired and provided for. For the six months ended 30 June 2017, the amounts of net provision charged to the interim condensed consolidated statement of comprehensive income was RMB715,000 (30 June 2016: net reversal of provision credited to the interim condensed consolidated statement of comprehensive income was RMB785,000).

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 2017 and 2016, no trade receivables was directly written-off to the interim condensed consolidated statement of comprehensive income.

7 Trade payables

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Trade payables	**4,536**	4,170

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 2017 *RMB'000* **Unaudited**	As at 31 December 2016 *RMB'000* Audited
1 – 30 days	**455**	699
31 – 90 days	**917**	532
Over 90 days	**3,164**	2,939
	4,536	4,170

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

8 Bank borrowings

	As at 30 June 2017 *RMB'000* **Unaudited**	As at 31 December 2016 *RMB'000* Audited
Bank borrowings – current	**10,235**	11,350

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 2017	As at 31 December 2016
	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	**5,776**	6,698
Beyond 5 years	**–**	193
	10,235	11,350

As at 30 June 2017, 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 Zhang 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 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 5.80% (31 December 2016: 5.81%) 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.

The Group has no undrawn borrowing facilities as at 30 June 2017 and 31 December 2016.

9 Other income

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Other income:		
Sundry income	**6**	75

10 Expenses by nature

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

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Cost of newspaper advertising		
– Media costs	**2,151**	7,120
Cost of consulting and printing services:		
– Raw material	**873**	632
– Other costs	**352**	153
Depreciation	**2,810**	2,094
Amortisation	**245**	249
Auditor's remuneration	**708**	697
Operating lease charges in respect of land and building	**6,682**	4,191
Net loss on disposal of property, plant and equipment	**–**	47
Net provision for/(reversal of) impairment of trade receivables *(Note 6)*	**715**	(785)
(Gain)/loss on disposals of properties held for sale	**(1,523)**	36
Write-off of property, plant and equipment	**–**	4,836
Net foreign exchange loss/(gain)	**5,631**	(3,121)
Employee benefit expenses (including directors' emoluments)	**21,643**	23,461
Business tax	**238**	712

11 Finance (costs)/income – net

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Finance income:		
– Interest income on short-term bank deposits	**271**	14
Finance costs:		
– Interest expense on available-for-sale financial asset *(Note 4)*	**(5,049)**	–
– Interest expense on bank borrowings	**(312)**	(375)
Less: amounts capitalised on qualifying assets *(Note 5(ii))*	**312**	375
	(5,049)	–
Finance (costs)/income – net	**(4,778)**	14

12 Income tax (expenses)/credit

	Six months ended 30 June 2017	Six months ended 30 June 2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Current income tax:		
Mainland China enterprise income tax		
– Current tax	**(107)**	–
Deferred income tax	**60**	60
	(47)	60

13 Loss per share

(a) Basic

Basic loss per share for the periods ended 30 June 2017 and 2016 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 2017 Unaudited	Six months ended 30 June 2016 Unaudited
Loss attributable to owners of the Company *(RMB'000)*	**(32,993)**	(23,133)
Weighted average number of shares in issue, including bonus element *(thousands)*	**1,448,330**	1,190,930
Basic loss per share *(RMB per share)*	**(0.0228)**	(0.0194)

(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 2017 and 2016, the Company had no potential dilutive ordinary shares outstanding.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2017, China's gross domestic product (GDP) exceeded RMB38.1 trillion, representing a year-on-year increase of 6.9%, higher than the growth target of 6.5% for the whole year. In particular, the total retail sales of consumables in China reached RMB17.2 trillion, representing a year-on-year increase of 10.4%. The consumables retailing market continued to play the role as a key driver for economic growth in China.

With its fast GDP growth and increasing Internet penetration rate, China has become the world's second largest advertising market. According to China Central Television's market research conducted by CVSC – TNS Research ("CTR"), China's advertising market grew by 0.4% year-on-year in the first half of 2017, showing a stable development trend. Internet advertising expenses rose 14.5% year-on-year, of which advertising expenses on the real estate/construction engineering sector increased by 45% year-on-year.

Despite the growing momentum in China's advertising market, the Chinese newspaper industry was encountering unprecedented impact and challenges. Hit by the gradual shift from offline reading to online reading, the circulation of the print media diminished, resulting in a substantial fall in advertising revenue since 2012. Advertising expenses on newspapers dropped 30.5% year-on-year in the first half of 2017. In the five industries with the highest amount of advertising expenses, the commercial and servicing industries, the real estate/construction engineering industry, the entertainment and leisure industries as well as the post and telecommunications industries all recorded double-digit decline, except for the financial sector which posted a slight increase of 2.4%. Among these industries, the biggest fall was seen in the real estate/construction engineering industry, where its advertising expenses dropped 60% year-on-year.

The culture and creativity industries have been flourishing in many places across the country in recent years. The added value of this industry in a number of provinces and cities including Beijing accounted for more than 5% of GDP. The sustainable and healthy development of culture and creativity industry has become a new key driver for economic growth and switching from manufacturing industry to service industry.

The film and television industries are always a powerful engine of the creative industry. According to the 2016 China Cultural Consumption Development Index, films ranked first among popular cultural products. Box-office receipts have been growing at a rate of 35% per annum over the past decade in China, the world's second largest film market. After a year-on-year increase of 48.7% during a phase of explosive growth in 2015, the Chinese film industry has begun to gain a steady and healthy growth momentum since 2016. In the first half of 2017, total box-office receipts were approximately RMB27.137 billion in China, representing a year-on-year increase of 10.34%, while the number of moviegoers reached 779 million, representing a year-on-year increase of 7.75%. Moreover, the implementation of the Film Industry Promotion Law on 1 March this year not only provided a strong legal protection for the sustainable, healthy and prosperous development of the film industry in the future, but also further regulated the development and market order of the industry. This has a far-reaching significance for long-term development of the film industry.

BUSINESS REVIEW

Along with the rapid development of the new media and other forms of online advertising in recent years, China's advertising industry inevitably underwent restructuring due to the irreversible fact that the industrial ecology was switching from the print media to the Internet and other new media.

For the six months ended 30 June 2017, the Group recorded revenue from the principal businesses of RMB20.4 million, representing a decrease of 20.3% year-on-year. The gross profit for the period was RMB4.8 million (first half of 2016: RMB5.1 million). During the period under review, the Group effectively kept the costs of the principal businesses under control and the gross profit margin increased by 3.6% from 19.9% for the six months ended 30 June 2016 to 23.5% for the six months ended 30 June 2017. During the period, the net loss after taxation was approximately RMB32.9 million (first half of 2016: RMB23.1 million), primarily attributable to (a) the increasingly intense competition in the online new media and the accelerated transformation of the adverting industrial ecology, which hit the traditional newspaper advertising business to a certain degree, resulting in decrease in profitability; and (b) rising operating costs including overheads and rental expenses due to the Group's diversification and business expansion.

During the period under review, the Group continued to explore opportunities to expand the investment in the production, management and content distribution of films and television drama series while carrying out the steady development of the existing cultural media business.

NEWSPAPER ADVERTISING

The business environment was more challenging in the print media market as the market was being replaced by new online media. Under the pressure and threat from the new media and the Internet, the Group concentrated its business resources on Southeast Express in the first half of 2017. However, the daily circulation and the number of printed pages of the newspaper remained unsatisfactory, resulting in a decrease of the advertising revenue from the newspaper to RMB3.5 million (first half of 2016: RMB8.1 million). During the period under review, the Group effectively kept its costs under control, resulting in a gross profit margin of 27.6%, an increase of 3.8% over the corresponding period last year.

ONLINE SERVICES

In the first half of 2017, the Group's online services consisted mainly of Fangke Web (www.fangke.cn), DNKB (www.dnkb.com.cn) and Duk (www.duk.cn). By continual development of the Internet-based media platform, the sharing of resources on the traditional offline and online platforms was improved and the complementary effects were created on an ongoing basis.

During the period under review, the Group was still formulating a revenue model for its online services. No revenue was contributed to the Group yet as the platform was revamped and resources were reallocated in the first half of the year, and the look of the website was still under revision.

MARKETING, CONSULTING AND PRINTING SERVICES

Although the newspaper advertising services were hit by the changes in the business environment during the period under review, the Group managed to capture the marketing opportunities arising from the hot sales in the real estate sector during the period under review and maintained business gains from its marketing, consulting and printing services, benefiting from the solid business foundation built up by the Group over the years, highly recognised brand positioning in the market as well as flexible and changeable marketing strategies.

Against the backdrop of a flourishing real estate market, the Group reaped steady gains from the marketing business in the first half of 2017 with its capital strength, technological edge and professional team, sending the marketing, consulting and printing services picking up as a whole. During the period under review, the Group's revenue from that segment was approximately RMB17.0 million, representing a slight decrease of 2.9% from last year, while the gross profit margin was 22.8% (first half of 2016: 27.4%).

As for the marketing, consulting and printing services, the Group intends to contribute extra resources on this business segment, in an effort to leverage on its extensive experience in advertising and marketing for many years.

FINANCIAL REVIEW

Revenue

Total revenue of the Group decreased by 20.3% from RMB25.6 million for the six months ended 30 June 2016 to RMB20.4 million for the six months ended 30 June 2017, 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, the change in clients' advertising strategy and the restructuring of the advertising market, revenue from newspaper advertising decreased from RMB8.1 million for the six months ended 30 June 2016 to RMB3.5 million for the six months ended 30 June 2017 and revenue from marketing, consulting and printing services decreased from RMB17.5 million for the six months ended 30 June 2016 to RMB17.0 million for the six months ended 30 June 2017.

Gross profit and gross profit margin

The Group recorded a gross profit of RMB4.8 million for the six months ended 30 June 2017 and RMB5.1 million for the six months ended 30 June 2016. The slight decrease in gross profit was mainly attributable to the decrease in revenue.

Other income

Other income decreased by 92.0% from RMB75,000 for the six months ended 30 June 2016 to RMB6,000 for the six months ended 30 June 2017, primarily due to the non-recurring nature of the sundry income generated in the six months ended 30 June 2016.

Selling and marketing expenses

Selling and marketing expenses decreased by 44.7% from RMB3.8 million for the six months ended 30 June 2016 to RMB2.1 million for the six months ended 30 June 2017 mainly due to decline in business and revenue during the period.

General and administrative expenses

General and administrative expenses increased by 25.2% from RMB24.6 million for the six months ended 30 June 2016 to RMB30.8 million for the six months ended 30 June 2017, mainly due to the increase in net foreign exchange loss and rental expenses.

Finance costs

Finance costs incurred for the six months ended 30 June 2017 was RMB5.0 million, mainly attributable to the interest expense recognised with respect to the Group's available-for-sale finance assets.

Income tax (expenses)/credit

Income tax credit decreased from RMB60,000 for the six months ended 30 June 2016 to income tax expense of RMB47,000 for the six months ended 30 June 2017, mainly due to taxable profit generated from marketing and promotional business and partly offset by the decrease in taxable temporary difference in intangible assets.

Results for the period

The Group recorded a net loss of RMB32.9 million for the six months ended 30 June 2017 mainly attributable to the increase in overheads and rental expenses due to the Group's business diversification and expansion.

Liquidity and capital resources

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	Unaudited	Unaudited
Net cash used in operating activities	**(25,587)**	(21,448)
Net cash used in investing activities	**(28,725)**	(103,514)
Net cash (used in)/generated from financing activities	**(1,119)**	133,199
Net (decrease)/increase in cash and cash equivalents	**(55,431)**	8,237
Cash and cash equivalents at beginning of the period	**182,833**	109,492
Exchange loss on cash and cash equivalents	**(3,885)**	–
Cash and cash equivalents at end of the period	**123,517**	117,729

Cash flow used in operating activities

For the six months ended 30 June 2017, net cash used in operating activities amounted to RMB25.6 million, which is primarily attributable to the net loss for the period amounting to RMB32.9 million.

Cash flow used in investing activities

For the six months ended 30 June 2017, net cash used in investing activities amounted to RMB28.7 million, resulting primarily from deposit paid for the proposed acquisition of a subsidiary of RMB29.5 million (equivalent to approximately HK$34,000,000).

Cash flow (used in)/generated from financing activities

For the six months ended 30 June 2017, net cash used in financing activities amounted to RMB1.1 million, resulting primarily from repayment of bank borrowings of RMB1.1 million.

Capital expenditures

The Group's business generally does not require significant ongoing capital expenditures. The Group incurs capital expenditures mainly for leasehold improvement and the purchase of office equipment. The Group's capital expenditures were RMB73,000 and RMB5.9 million for the six months ended 30 June 2017 and 30 June 2016, respectively.

Trade receivables – net

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

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	Unaudited	Audited
Aging analysis of trade receivables		
1 – 30 days	**2,078**	1,645
31 – 60 days	**1,865**	1,099
61 – 90 days	**398**	139
91– 180 days	**893**	833
181 – 365 days	**1,352**	1,838
Over 1 year	**16,510**	15,328
	23,096	20,882
Less: provision for impairment of trade receivables	**(14,760)**	(14,045)
Trade receivables – net	**8,336**	6,837

The Group's trade receivables increased by 22.1%, from RMB6.8 million as at 31 December 2016 to RMB8.3 million as at 30 June 2017. 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 2017 *RMB'000* **Unaudited**	As at 31 December 2016 *RMB'000* Audited
Properties held for sale	**35,909**	43,774

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 RMB9.7 million and RMB1.9 million for the six months ended 30 June 2017 and for the year ended 31 December 2016, respectively.

Trade payables

	As at 30 June 2017 *RMB'000* **Unaudited**	As at 31 December 2016 *RMB'000* Audited
Aging analysis based on invoice date of trade payables		
1 – 30 days	**455**	699
31 – 90 days	**917**	532
Over 90 days	**3,164**	2,939
	4,536	4,170

The Group's trade payables increased by 7.1%, from RMB4.2 million as at 31 December 2016 to RMB4.5 million as at 30 June 2017, which was primarily attributable to the slow down in the settlement of trade payable balances during the period.

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). Transaction costs directly attributable to mortgage loans amounted to RMB35,000. The mortgage loans were drawn on 27 February 2015 and 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 member and the spouse of a key management member of a subsidiary of the Group.

As at 30 June 2017, 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 5.8% per annum.

Gearing ratio, being proportion of the Group's total borrowings to total assets, remained stable at 3.1% as at 30 June 2017 (30 June 2016: 3.1%).

Capital commitments

Operating lease commitments - Group

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

	As at 30 June 2017 *RMB'000* Unaudited	As at 31 December 2016 *RMB'000* Audited
Not later than 1 year	**12,591**	12,425
Later than 1 year and not later than 5 years	**9,114**	14,957
	21,705	27,382

Contingent liabilities

As at 30 June 2017, the Group has no material contingent liabilities.

Human resources

As at 30 June 2017, the Group had approximately 206 full-time employees (31 December 2016: 238). Total staff costs including directors' remuneration for the six months ended 30 June 2017 was approximately RMB21.6 million (for the six months ended 30 June 2016: approximately RMB23.5 million). The Group offers competitive remuneration packages to its employees that include salaries, bonuses and share options to qualified employees. The compensation of the Directors is evaluated by the Remuneration Committee 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.

PROSPECTS

According to a report released by the China State Information Center, economic growth in 2017 is expected to stay high and become stabilized at a later stage. Economic growth in the second half is anticipated to stay at approximately 6.7%, while the growth rate for the year will be 6.8%, thus attaining the growth target.

Following the introduction of the Film Industry Promotion Law in March this year requiring that China-made films shall account for no less than two-thirds of screening time at cinemas across the country every year, we expect the film producing industry in China will continue to prosper in the second half of 2017. The Group believes the prospects for the film and television cultural industries will remain positive with the advent of online blockbusters and online TV drama series.

On 8 May 2017, the Group entered into a sale and purchase agreement in relation to the conditionally acquisition of the entire issued share capital of Supreme Glory Limited at a consideration of HK$340 million. Supreme Glory Limited, through its indirect subsidiaries in China, owns a multi-purpose media, resort and eco-tourism project known as Beijing Shihua Caves Niaoyulin（北京石花洞鳥語林）. The project's development plan comprises a film studio, a media and performing arts training centre, a multi-purpose resort, an eco-tourism park and a guest accommodation venue for carrying out film and television entertainment production as well as tourist reception and entertainment business. Construction of the project is expected to commence in the second half of 2017 and be partially completed and commence commercial operation in or around 2018.

To leverage on the prosperous e-commerce market in China, the Group is upgrading the web site of Duk (www.duk.cn), its digital media distribution. The Group is also discussing with potential business partners to improve the content of www.duk.cn to attract more viewers and members. The Group is also planning to recruit more software engineers and programmers in the second half of 2017 to reinforce the R&D.

As for the marketing, consulting and printing services, the Group will continue to commit resources in this growing business segment based on its extensive experience in advertising and marketing built up over the years as well as team's expertise. It will explore more real estate projects, especially those with enormous opportunities arising from the comprehensive marketing services for commercial property projects, to sustain profit contribution to the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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 E1.2

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.

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.

The Board met regularly to consider and review the major and appropriate issues which may affect the operations of the Company arising from the vacancy of chairmanship. As such, the Board considers that the sufficient measures had been taken and 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 2017 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 2017 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 2017. 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 2017.

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 2017 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, 29 August 2017

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.