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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)

**BUSINESS UPDATE –
LITIGATION COMMENCED BY THE GROUP AGAINST
SHANGHAI HEHE FILM INVESTMENT CO., LTD.**

This announcement is made by ShiFang Holdings Limited (the “**Company**”, which together with its subsidiaries, collectively the “**Group**”) to update shareholders of the Company (the “**Shareholders**”) on the Group’s investment in the Target Income Right under the Movie Investment Agreement with Hehe Film.

BACKGROUND

Reference is made to the Company’s announcement dated 22 February 2016 (the “**Announcement**”) in relation to the signing of the movie investment agreement (the “**Movie Investment Agreement**”) between the Company and 上海合禾影視投資有限公司 (Shanghai Hehe Film Investment Co., Ltd.) (“**Hehe Film**”), pursuant to which the Group acquired 55% of the “Net Income from Box Office in the PRC” (as such term as is defined in the Announcement) (the “**Target Income Right**”) of the movie 《葉問3》 (Ip Man 3) (the “**Movie**”) from Hehe Film for the consideration of RMB110,000,000 (the “**Investment Cost**”).

The Target Income Right has a term of 30 years from the first release date of the Movie on 4 March 2016 (the “**Release Date**”). Under the terms of the Movie Investment Agreement, Hehe Film guaranteed to the Group as to (i) the full return of the Investment Cost; plus (ii) a total income of at least RMB16,500,000 from the Target Income Right during the first year after the Release Date.

The Company has fulfilled all its contractual obligations under the Movie Investment Agreement. In May 2016, Hehe Film issued a written confirmation (the “**Ticketing Confirmation**”) to the Group (inter alia) (i) confirming that the Group can fully recover its Investment Cost of RMB110,000,000; and (ii) guaranteeing that the Group can enjoy profit sharing under the Target Income Right attributable to the cinema screening of at least RMB18,580,000 (the “**Guaranteed First Entitlement**”). In June 2016, Hehe Film transmitted RMB10,000,000 (the “**Partial Repayment**”) to the Group pursuant to the Movie Investment Agreement and the Ticketing Confirmation, but the remaining balance of the sum owed by Hehe Film to the Group has remained outstanding up to the date of this announcement despite the Group’s repeated demands.

COMMENCEMENT OF LITIGATION

In order to safeguard the legitimate rights and interests of the Group, the Group filed a civil complaint (the “**Litigation**”) with Shanghai No.1 Intermediate People’s Court (the “**Court**”) against Hehe Film on 29 May 2018 requesting the Court to order Hehe Film, amongst other things, to pay the following items to the Group: (i) the outstanding investment cost of RMB100,000,000 (being the Investment Cost of RMB110,000,000 less the Partial Repayment of RMB10,000,000); (ii) the Guaranteed First Entitlement of RMB18,580,000 as committed by Hehe Film in the Ticketing Confirmation; (iii) default interest; and (iv) all litigation, attorney and notarization fees incurred by the Group in relation to the Litigation. The Court acknowledged the acceptance of the Litigation on 5 June 2018 and scheduled the first hearing date for 1 August 2018.

The Company will continue to take legal advice from its legal advisers during the course of the Litigation to safeguard the Group's legitimate rights and interests. Further announcement will be made by the Company if there is any material progress in relation to the Litigation. **In the meantime, shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

By order of the Board
ShiFang Holding Limited
Siuming Tsui

Executive Director and Chief Executive Officer

Hong Kong, 5 June 2018

As at the date of this announcement, the executive Directors are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi and Mr. Yu Shi Quan; 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 Jian Quan.