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**SHIFANG HOLDING LIMITED**

**十方控股有限公司**

*(incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability)*

**(Stock code: 1831)**

## **UPDATE ON PROGRESS OF LITIGATION INVOLVING BEIJING FANXING TRAVEL CO., LTD.**

This announcement is made by ShiFang Holding Limited (the “**Company**”, which together with its subsidiaries are collectively referred to as the “**Group**”) to update its shareholders (the “**Shareholders**”) and the investing public on the progress of the litigation involving Beijing Fanxing Travel Co., Ltd. (“**Beijing Fanxing**”), a wholly owned subsidiary of the Group.

As disclosed in the Company’s results announcement dated 31 March 2021 and the Company’s annual report for the year ended 31 December 2020 (the “**Annual Report 2020**”), the land owner (the “**Landlord**”) of the project site (the “**Project Site**”) of the Group’s Beijing Shihua Caves Niaoyulin Project (the “**Project**”) filed a claim (the “**Claim**”) against Beijing Fanxing, under which the Landlord sought to rescind a strategic cooperative agreement (the “**Cooperative Agreement**”) and a lease agreement (the “**Lease Agreement**”), both entered into between Beijing Fanxing and the Landlord in relation to the Project Site, on the basis of alleged failure by Beijing Fanxing to fulfill its responsibilities under the Cooperative Agreement due to, among other things, the delay in the implementation timetable of the investment and construction of the Project.

On 31 May 2021, the Company received the civil judgment decision (the “**Judgment**”) of the People’s Court of Fangshan District, Beijing dated 26 May 2021, confirming that both the Cooperative Agreement and the Lease Agreement shall be rescinded and Beijing Fanxing is ordered to surrender the Project Site to the Landlord within 30 days after the effective date of the Judgment.

For the two years ended 31 December 2019 and 2020, the Project did not contribute any revenue to the Group. As at 31 December 2020, the right to the land lease attributable to the Project amounted to approximately RMB159,208,000. Accordingly, if Beijing Fanxing is ultimately required to surrender the Project Site to the Landlord, the Company does not expect that there shall be material adverse effect to the Group’s revenue. However, if the right to the land lease is required to be fully impaired as a result of the surrender of Project Site, the impairment loss of RMB159,208,000 would represent approximately 36.75% of the Group’s total assets as at 31 December 2020, and the Company would have been changed from the net asset position of RMB61,732,000 to the net liabilities position of RMB97,476,000.

Beijing Fanxing is of the view that the allegations by the Landlord in the Claim are without basis. In particular, the project delay is caused by many reasons including policy suspension, the delay in the grant of project approval and the COVID-19 pandemic, all of which are beyond the Company’s control or fault. In addition, from the perspective of the relationship between the Cooperation Agreement and the lease agreement, the performance of the Cooperation Agreement and whether or not it is rescinded should not affect Beijing Fanxing’s land use rights to the Project acquired based on the lease agreement, and Beijing Fanxing performs the lease agreement normally without any breach.

Upon the receiving of the Judgment, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has immediately instructed the management of Beijing Fanxing to seek legal advice from PRC legal advisers to uphold its legal rights. After taking PRC legal advice, the Group considers that Beijing Fanxing has grounds to appeal the Judgment.

Pending the results of the legal process regarding the Claim, the preliminary assessment contained in this announcement regarding the potential impact on the operation and financial position of the Group may be significantly different from the actual and ultimate outcome. Further details of the financial information of the Group for the six months ending 30 June 2021, including the impact (if any) resulted by the Judgment, will be disclosed in the Company's interim results announcement which is due to be published by the end of August 2021. The Board will also update the Shareholders and the investing public by way of announcement if there is any material development of the Claim which warrants disclosure.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**ShiFang Holding Limited**  
**Chen Zhi**  
*Chairman & Chief Executive Officer*

Hong Kong, 31 May 2021

*As at the date of this announcement, the executive Directors are Mr. Chen Zhi (Chairman & Chief Executive Officer) 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.*