

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SHIFANG HOLDING LIMITED

十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

**ANNOUNCEMENT
UPDATES ON LITIGATION MATTERS
AND
RESUMPTION OF TRADING**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the SFO.

On 29 September 2013, the Company received an enforcement judgment (執行裁定書(2012) 岳中執字第104-13號) issued by the Court dated 22 September 2013, based on the enforcement judgment ((2013) 湘高法執複字第39號執行裁定) issued by the Higher People's Court of Hunan Province dated 22 August 2013 dismissing the appeal application by the Plaintiff, the freezing of a deposit of RMB31,859,018 in the four bank accounts in the PRC of the Subsidiaries had been released. On 30 September 2013, the Company just received the enforcement judgment ((2013) 湘高法執複字第39號執行裁定) issued by the Higher People's Court of Hunan Province dated 22 August 2013 mailed by the Court, in which judgement was made to dismiss the appeal application by the Plaintiff.

However, on even date, 29 September 2013, the Company received other two Enforcement Judgments issued by the Court, both dated 22 September 2013 as follows:–

- (1) the enforcement judgment (執行裁定書(2012) 岳中執字第104-14號), which stated that since the Subsidiaries owed contingent outstanding advertising fee to the Defendants under the cooperation contracts between them, the Court judged to draw (deduct) the cash deposit of RMB22,000,000 out of the bank accounts of the Subsidiaries in favour of the Plaintiff; and

- (2) the enforcement judgment (執行裁定書(2012) 岳中執字第104-15號), which stated that pursuant to the same reason, the Court judged to freeze advertising fee of up to RMB14,000,000 expected to be paid by the Subsidiaries to the Defendants for two years in favour of the Plaintiff.

Notwithstanding, pursuant to the enforcement judgment (執行裁定書 (2013) 湘高法執複字第39號) issued by the Higher People's Court of Hunan Province, the Subsidiaries has prepaid the printing costs, rentals and social security fund contributions for the Defendants and such prepayments were set off against the Subsidiaries' advertising costs. In the past 5 years, the Subsidiaries has prepaid RMB448,584,196 for the Defendants. Setting off against the advertising costs of RMB279,460,349, an outstanding amount of RMB169,123,847 was actually owed by the Defendants to the Subsidiaries. Hence, there were contradictions between the judgments of the Court and the Higher People's Court of Hunan Province and the Subsidiaries were not given any reasonable opportunity to defense or clarify their legal positions.

As advised by the Company's PRC legal counsel, the Subsidiaries will, as soon as practicable, submit the objection application of the enforcement to the Court to claim for the return of the wrongful deduction of RMB22,000,000 together with other economic losses and damages on the reputation of the Group and ask the Court to relieve its enforcement order against the freezing of advertising fee payables. The Company and the Subsidiaries will also formally complain the incident to the Higher People's Court of Hunan Province and the Supreme People's Court of the PRC, and request inspection and supervision from the People's Procuratorate of Hunan Province and the Supreme People's Procuratorate of the PRC to ask for further assistance and protect the interest of the Company.

The directors of the Company currently assess that the contingent loss in relation to the claim will have no material adverse impact on the Group's results and financial position at this stage.

Trading in the shares on the Stock Exchange was halted at the request of the Company at 9:00 a.m. on 30 September 2013. The Company has applied to the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 2 October 2013.

This announcement is made by ShiFang Holding Limited (the “**Company**” and its subsidiaries, collectively the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Future Ordinance (Chapter 571, Laws of Hong Kong) (the “**SFO**”).

Reference is made to the Company’s announcements dated 8 November 2012 and 7 February 2013 (the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement have the same meaning as defined in the Announcements.

INTRODUCTION

On 29 September 2013, the Company received an enforcement judgment (執行裁定書 (2012) 岳中執字第104-13號) issued by the Court dated 22 September 2013, based on the enforcement judgment ((2013) 湘高法執複字第39號執行裁定) issued by the Higher People’s Court of Hunan Province dated 22 August 2013 dismissing the appeal application by the Plaintiff, the freezing of a deposit of RMB31,859,018 in the four bank accounts in the PRC of the Subsidiaries had been released. On 30 September 2013, the Company just received the enforcement judgment ((2013) 湘高法執複字第39號執行裁定) issued by the Higher People’s Court of Hunan Province dated 22 August 2013 mailed by the Court, in which judgement was made to dismiss the appeal application by the Plaintiff.

However, on even date, the Company received other two enforcement judgments (the “**Enforcement Judgments**”) issued by the Court, both dated 22 September 2013 as follows:–

- (1) the enforcement judgment (執行裁定書 (2012) 岳中執字第104-14號), which stated that since the Subsidiaries owed contingent outstanding advertising fee to the Defendants under the cooperation contracts between them, the Court judged to draw (deduct) the cash deposit of RMB22,000,000 out of the bank accounts of the Subsidiaries in favour of the Plaintiff; and
- (2) the enforcement judgment (執行裁定書 (2012) 岳中執字第104-15號), which stated that pursuant to the same reason, the Court judged to freeze advertising fee of up to RMB14,000,000 expected to be paid by the Subsidiaries to the Defendants for two years in favour of the Plaintiff.

Notwithstanding, pursuant to the enforcement judgment (執行裁定書 (2013) 湘高法執複字第39號) issued by the Higher People's Court of Hunan Province, the Subsidiaries has prepaid sum such as printing costs, rentals and social security fund contributions for the Defendants and such prepayments were set off against the Subsidiaries' advertising costs. In the past 5 years, the Subsidiaries has prepaid RMB448,584,196 for the Defendants. Setting off against the advertising costs of RMB279,460,349, an outstanding amount of RMB169,123,847 was actually owed by the Defendants to the Subsidiaries. Hence, there were contradictions between the judgments of the Court and the Higher People's Court of Hunan Province and the Subsidiaries were not given any reasonable opportunity to defense or clarify their legal positions.

According to the best knowledge, information, and belief of the directors of the Company, neither the Company nor Subsidiaries has been informed or notified by the Courts timely.

As disclosed in the Announcements, the Defendants and the Company (together with its Subsidiaries) are separate legal entities which operate their own business independently. The Defendants are not connected persons of the Company (together with its Subsidiaries).

PRC LEGAL COUNSEL ADVICE

The Company has immediately sought legal advice in relation to the said two Enforcement Judgments issued by the Court and was advised by the Company's PRC legal counsel as follows:—

- (1) The Court itself had issued an enforcement judgment (岳中執異字第1號《執行裁定書》) for the Company's objection against the enforcement judgment ((2012) 岳中執字第104-6號《執行裁定書》) and the enforcement judgment ((2012) 岳中執字第104-7號《執行裁定書》), it was considered that the Company and Subsidiaries should not be treated as enforcees. Pursuant to the enforcement judgment (執行裁定書 (2013) 湘高法執複字第39號), the Higher People's Court of Hunan Province dismissed the appeal application of the Plaintiff and judged that the Subsidiaries should not be regarded as enforcees in relation to the civil claim between the Plaintiff and the Defendants;

- (2) the contingent outstanding liabilities between the Defendants and the Subsidiaries should be another separate civil dispute and there is no effective legal document affirming the existence of the contingent outstanding liabilities, which are not within the jurisdiction of the Court. The Court should not order any judgment against the Subsidiaries without proper legal proceedings;
- (3) the Court has made a serious mistake in applicable laws under the two Enforcement Judgments which, including without limitation, the Court should not directly act on behalf of the Plaintiff to draw out (deduct) the money directly from the Subsidiaries' accounts, and according to the PRC law, deposits of an enforcee should not be freezed for more than six months; and
- (4) it was noted that the Higher People's Court of Hunan Province issued the enforcement judgment (執行裁定書 (2013) 湘高法執複字第39號) on 22 August 2013. Nonetheless, the Court did not follow up immediately until the issue of the enforcement judgment (執行裁定書 (2012) 岳中執字第104-13號) on 22 September 2013 and has issued the other two Enforcement Judgments on even date against the Subsidiaries without legitimate reasons and directly acted on behalf of the Plaintiff to draw out (deduct) the money from the Subsidiaries' accounts on 27 September 2013. The Company and the Subsidiaries did not have knowledge about such drawdown (deduction) of RMB22,000,000 until the receipt of the two Enforcement Judgments and notification of the banks on 29 September 2013. The enforcement procedures of the Court may have violated the law.

ACTION BY THE COMPANY

As advised by the Company's PRC legal counsel, the Subsidiaries will, as soon as practicable, submit the objection application of the enforcement to the Court to claim for the return of the wrongful deduction of RMB22,000,000 together with other economic losses and damages on the reputation of the Group and ask the Court to relieve its enforcement order against the freezing of advertising fee payables. The Company and the Subsidiaries will also formally complain the incident to the Higher People's Court of Hunan Province and the Supreme People's Court of the PRC, and request inspection and supervision from the People's Procuratorate of Hunan Province and the Supreme People's Procuratorate to ask for further assistance and protect the interest of the Company.

IMPACT ON THE GROUP

As at 22 September 2013, the total unaudited consolidated cash and cash equivalents of the Group is approximately RMB82 million. The directors of the Company currently assess that the contingent loss in relation to the claim will have no material adverse impact on the Group's results and financial position at this stage.

The Company is actively following up the above case and evaluate their impact on the Group, and will make further announcement(s) to inform its shareholders and potential investors of further developments of the case as and when appropriate. Shareholders and potential investors are advised to exercise caution in dealing with the shares of the Company.

RESUMPTION OF TRADING

Trading in the shares on the Stock Exchange was halted at the request of the Company at 9:00 a.m. on 30 September 2013. The Company has applied to the Stock Exchange for the resumption of trading of the shares of the Company with effect from 9:00 a.m. on 2 October 2013.

By Order of the Board of
SHIFANG HOLDING LIMITED
Chen Zhi
Chairman

Hong Kong, 2 October 2013

As at the date of this announcement, the executive directors of the Company are Mr. Chen Zhi (Chairman), Mr. Hong Pei Feng, Mr. Zhang Tie Zhu and Mr. Yu Shiquan; the non-executive director of the Company are Mr. Wang Ping and Ms. Chen Min; the independent non-executive directors of the Company are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, Mr. Zhuo Ze Yuan and Mr. Cai Jianquan.