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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)

ANNOUNCEMENT UPDATES ON LITIGATION MATTERS

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 2 October 2013, 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 17 February 2014, The Company received an enforcement judgment (執行裁定書(2013)岳中執異字第17號) dated 11 February 2014 issued by the Court, the following judgments were made:

The objection submitted by the objector, Fuzhou AoHai Advertisement Co., Ltd.* (福州奧海廣告有限公司) (the “**Subsidiary**”), was dismissed and the enforcement judgments (執行裁定書(2012)岳中執字第104-14號) and (執行裁定書(2012)岳中執字第104-15號) issued by the Court was affirmed.

If being dissatisfied with the judgment, appeal applications should be submitted to the Higher People’s Court of Hunan Province within ten days from the day on which the judgment was served.

PRC LEGAL COUNSEL ADVICE

Pursuant to the advice of the Company's PRC legal counsel, the Company has been as advised 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary 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 Subsidiary' 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 Subsidiary without legitimate reasons and directly acted on behalf of the Plaintiff to draw out (deduct) the money from the Subsidiary's accounts on 27 September 2013. The Company and the Subsidiary 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 Subsidiary submitted an objection application of the enforcement to the Higher People's Court of Hunan Province (the "**Higher Court**") to request the Higher People's Court of Hunan Province to immediately revoke the above mentioned enforcement judgment and return the wrongful deduction of RMB22,000,000, and reserve the right to claim Yueyang City Intermediate People's Court for the substantial loss of properties and damages on the reputation of the Company incurred by the prolong freezing and forcibly deduction.

The Subsidiary has referred the circumstances to various authorities, including the People's Procuratorate of Hunan Province and the Central Commission for Discipline Inspection, requesting for immediate rectification of the knowingly violation of the law by Yueyang City Intermediate People's Court as a judicial authority, and protect the lawful interest of the Company.

IMPACT ON THE GROUP

As at 31 January 2014, the total unaudited consolidated cash and cash equivalents of the Group is approximately RMB86 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.

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

Hong Kong, 17 February 2014

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.

* for identification purposes only