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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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED PROJECT PARTICIPATION OF TARGET MEDIA PROJECT

Financial adviser to the Company



金融有限公司

OCTAL Capital Limited

THE PROPOSED PROJECT PARTICIPATION

The Board is pleased to announce that on 22 February 2016 (after trading hours), the Company, further to the MOU dated 22 December 2015, entered into the Movie Investment Agreement with Hehe Film pursuant to which the Company has conditionally agreed to acquire the Target Income Right from Hehe Film.

The Consideration for the Target Income Right is RMB110 million (or, being the HK\$ equivalent translated at the central parity rate of RMB against HK\$ published by the People's Bank of China on the Business Day before the Completion Date), which the Company shall arrange full payment in cash to Hehe Film or its designated recipient on the Completion Date.

The Completion is conditional upon the satisfaction of the conditions as set out in the subparagraph headed "Conditions precedent to the Proposed Project Participation" in this announcement.

IMPLICATIONS UNDER THE LISTING RULES ON THE PROPOSED PROJECT PARTICIPATION

Since certain of the applicable percentage ratios of the Proposed Project Participation exceed 5% but less than 25%, the Proposed Project Participation will constitute a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. As at the date of the Movie Investment Agreements, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hehe Film and its ultimate beneficial owners are Independent Third Parties from the Company under the Listing Rules.

PROPOSED PROJECT PARTICIPATION

The Board is pleased to announce that on 22 February 2016 (after trading hours), The Company, further to the MOU dated 22 December 2015, entered into the Movie Investment Agreement with the Hehe Film pursuant to which the Company has conditionally agreed to acquire the Target Income Right from Hehe Film. The principal terms of the Movie Investment Agreement are set out below:

Date

22 February 2016

Parties

Seller: 上海合禾影視投資有限公司 (Shanghai Hehe Film Investment Ltd.), a company incorporated in Shanghai, the PRC with limited liability

Hehe Film is principally engaged in motion media contents related businesses, including investment, planning, production, publication and distribution of television drama series, films and other audio visual media contents. Hehe Film deploys a team of film industrial experts and is in close cooperation with well-known film production companies and distributors including Central Pictures Corporation (中影股份有限公司), Shanghai Nanguo Pictures Limited Company* (上海上影南國影業有限公司), and Pegasus Entertainment Holdings Limited (stock code: 1326) and Max Screen (Beijing) Film Distribution Holdings Limited* (大銀幕(北京)電影發行控股有限公司). The media products portfolio of Hehe Film includes, among others, 《八星報喜》(The Eighth Happiness), 《百星酒店》(Hotel Deluxe), 《精武青春》(Kung Fu Angels), 《葉問3》(Ip Man 3)(previously named as 《3D葉問3》(Ip Man 3 in 3D)).

Purchaser: The Company

As at the date of the Movie Investment Agreement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hehe Film and its ultimate beneficial owners are Independent Third Parties from the Company under the Listing Rules.

Assets to be acquired

Pursuant to the Movie Investment Agreement, the Company shall acquire the Target Income Right from Hehe Film. Subsequently, the Company or its designated wholly-owned subsidiary will be able to participate in the Target Media Project. The Net Income from Box Office in the PRC shall be calculated as follows :

Net Income from Box Office in the PRC = gross box office receipts – (less) monies payable to NFIDSF – (less) value added tax and surcharges – (less) amounts of the box office receipts shared by cinemas and cinema circuit – (less) total investment costs and promotional expenses

While:–

- i) gross box office receipts refer to the gross box office of the Target Media Project from its screening in cinemas in the PRC (based on the relevant information provided and supported by receipts issued by cinemas and cinema circuits) and the income from any of its resale or derivatives (including income from information network transmission rights, TV copyrights, audio and visual product copyrights, in-flight copyright and enforcement of intellectual property rights);
- ii) monies payable to NFIDSF is calculated based on the gross box office receipts × (multiply by) 5%;
- iii) value added tax and surcharges are calculated in accordance with the national tax policy in the PRC (about 3% – 5%). For the avoidance of doubt, the highest percentage applied shall be 5%;

- iv) amounts of the box office receipts shared by cinemas and cinema circuit refer to the amounts of the box office receipts (after deduction of the above-mentioned monies payable to NFIDSF and value added tax and surcharges) shared by the cinemas and cinema circuit screening the Target Media Project, in the proportion (i.e. 50-60%) as determined in the Distribution and Revenue Sharing Contract (分賬發行合同); and
- v) investment costs and promotional expenses refer to the total investment costs in respect of the investment to the Target Media Project and the Target Media Project's promotion expenses in the PRC which are subject to the Company's verification on including but not limited to, third-party evidence, contracts and receipts to be provided by Hehe Film.

Hehe Film and the Company shall recover their investment costs in proportion to their investment (i.e. RMB90 million (approximately HK\$107.32 million) and RMB110 million (equivalent to approximately HK\$131.17 million), respectively) from the Calculated Net Income from Box Office in the PRC first. The surplus of which, if any, shall be shared by Hehe Film as to 45% and the Company as to 55%. In the event where there is no surplus or any losses is incurred, the Company is not liable to share or bear any such losses.

The first payment of the Company's share of Net Income from Box Office in the PRC shall be made by Hehe Film to the Company via wire transfer to the bank account designated by the Company within 10 months after the first release date of the Target Media Project.

The Target Income Right has a term of 30 years from the first release date of the Target Media Project. The remaining payment of the Company's share of Net Income from Box Office in the PRC shall be made by Hehe Film via wire transfer to the bank account designated by the Company every 12 months after the first release date.

Hehe Film shall be responsible for the distribution of the Target Media Project in the PRC and ensure the Target Media Project to be formally released in the PRC before 15 March 2016.

Consideration

The consideration for the Target Income Right is RMB110 million (or the HK\$ equivalent amount translated at the central parity rate of RMB against HK\$ published by the People's Bank of China on the Business Day before the Completion Date), which the Company shall arrange full payment in cash to Hehe Film or its designated recipient on the Completion Date. Once the consideration has been paid to the bank account designated by Hehe Film, the Company is deemed to have fully satisfied its payment obligation for the consideration under the Movie Investment Agreement.

The consideration of RMB110 million (equivalent to approximately HK\$131.17 million) was arrived at after arm's length negotiation between the parties to the Movie Investment Agreement on normal commercial terms with reference to investment cost incurred by Hehe Film in return for the exclusive film distribution rights of the Target Media Project in the PRC and an independent valuation.

Conditions precedent to the Proposed Project Participation

The Completion of the Proposed Project Participation is subject to the following conditions precedent:

- i) all necessary consents and approvals (including authorisation and approvals from the relevant government, regulatory bodies, authorities or organisations, or third parties (including banks)) in relation to the acquisition of Target Income Right having been obtained by Hehe Film and the Company; and
- ii) the Company having been satisfied with the results of due diligence on Hehe Film.

The Company and Hehe Film shall use their best endeavors to procure satisfaction of all the conditions precedent as set out in the above.

Income guarantee

Hehe Film guarantees and promises the Company that the total income from the Target Income Right within 1 year after the first release date will not be less than RMB16.5 million (approximately HK\$19.68 million) (the "**Guarantee Amount**").

If the income amount in respect of Target Income Right falls short of the Guarantee Amount, Hehe Film undertakes to indemnify the Company any differences between Guarantee Amount and actual income amount within ten business days after receiving the Company's written notice.

Hehe Film further guarantees and promises, the amount of indemnities made to the Company, after deducting any taxes, expenses or expenditures or after any deduction according to any applicable laws and regulations (if any), will be equal to the indemnities which the Company should be entitled to pursuant to the above.

Priority to Invest

Hehe Film promises and guarantees the Company that the Company shall have the priority to invest in all the media projects (present and future) of Hehe Film within 1 year after Completion.

Completion

Completion shall take place on the Completion Date in such places and on such time as designated by the parties.

Upon Completion, Hehe Film shall deliver to the Company the certified copies of the written resolutions of the executive directors and the relevant resolutions of the general meeting of Hehe Film, approving Hehe Film to execute the Movie Investment Agreement and proceed with the Proposed Project Participation and the transactions contemplated hereunder.

Upon Completion, the Company shall deliver to Hehe Film: (a) the certified copy of Board resolution, approving the Company to execute the Movie Investment Agreement and proceed with the Proposed Project Participation and the transactions contemplated hereunder; and (b) the consideration paid via wire transfer to the bank account designated by Hehe Film.

Permitted Assignment

Hehe Film has consented and permitted the Company to assign all its rights (including but not limited to the right to receive payment of the Company's share of Net Income from Box Office in the PRC) under the Movie Investment Agreement to a designated wholly-owned subsidiary of the Company at any time after the execution of the Movie Investment

Agreement. Hehe Film will continue to honor its obligations, warranties and undertakings under the Movie Investment Agreement towards such designated subsidiary after the assignment.

INFORMATION ABOUT THE TARGET MEDIA PROJECT

The Target Media Project

The Target Media Project is 《葉問3》 (Ip Man 3) (formerly named as 《3D葉問3》 (Ip Man 3 in 3D)), a Chinese Martial Art film directed by Mr. Wilson Yip (葉偉信), and starred by Mr. Donnie Yen (甄子丹), Mr. Zhang Jin (張晉), Ms. Lynn Hung (熊黛林), Mr. Patrick Tam (譚耀文) and Mr. Mike Tyson. The Target Media Project is a sequel to the Ip Man series directed by Mr. Wilson Yip (葉偉信). The Target Media Project is currently scheduled for the first release in the PRC around March 2016. With a length of 105 minutes, it will be released in 2D, 3D and IMAX versions.

REASONS FOR AND BENEFITS OF THE PROPOSED PROJECT PARTICIPATION

The Group is principally engaged in the business of cultural media and advertising media in the PRC. Further to the latest annual report of the Company for the year ended 31 December 2014, the slowdown in the Chinese economic development and the increasing pressure on certain industries to expand have impacted the advertising spending of the respective industries, thereby posing challenges for the operating environment of the Group. The performance and profitability of existing integrated print media business of the Group has been significantly impacted by the weak performance of its existing client base, such as the property industry, due to the slowdown in overall economic growth in the PRC. On the other hand, the Group has strengthened the investment in its online media business since 2012. However, the premature internet media platforms of the Group are still in the establishment and investment stages which are considered to be with comparatively weak profitability and require longer investment period. The Group has been focusing on restructuring its media business by consolidating operations that underperformed in terms of revenue growth and has committed to reserve resources for strategically developing media business segments with promising growth potential. Therefore, the Group has been actively exploring cultural media business opportunities in order to facilitate its development and transformation. The Directors are of the views that the cultural film media market is a segment of the broad cultural media industry. The Target Media Project allows the synergetic extension of the Group's existing cultural media business (which mainly consists of non-movie related media) through utilizing

its well-established advertising channels, content provision, distribution management and event planning resources. The Group is optimistic of the cultural media market in the PRC, particularly the cultural film media market. Through the appointment of Mr. Tsui Yiu Ming Siuming, a well-known director and producer and Mr. Ng See Yuen, a renowned film-maker, the Group is actively seeking to further expand its business into cultural film media industry as to improve its operating performance. The Directors consider that the Movie Investment Agreement will be beneficial to the Group and facilitate its development and transformation from the following perspectives:

- i. the Directors consider that Hehe Film is inherited with extensive experience and well-established connections in the film media industry and entering into the Movie Investment Agreement and the term of first refusal right hereunder will allow the Group to take advantages of Hehe Film's strengths and resources in the cultural film market for expanding its current media business into cultural film media and expanding and diversifying the revenue base of its existing advertising business to that of the booming film media industry in the PRC;
- ii. the Directors consider the Proposed Project Participation will allow the Group to enter into the cultural film media market in the PRC. In addition, the Group's established advertising channels, content provision, distribution management and event planning resource base from its years of development in the print media and online media advertising business are expected to create synergy and opportunities to promote the upcoming media projects in cooperation with Hehe Film in the PRC under the Movie Investment Agreement. Further the media projects of Hehe Film will enrich and diversify the channels of the Group's existing advertising business to the cultural film media market in the PRC;
- iii. the acquisition of partial income right of the Target Media Project, the project income of which is secured by the guarantee of Hehe Film, represents a valuable strategic investment opportunity for the Company to improve its financial performance in near term and diversify the Group's existing media business; and
- iv. the entering into of the Movie Investment Agreement provides business synergy between the Company and Hehe Film and is an efficient way to expand and enrich product portfolio of the Group's cultural media business, revenue source in the cultural film media market, production capacity in content provision and advertising services and the branding and reputation of the Group in the culture media industry in the PRC.

The Directors (including the independent non-executive Directors) consider that the Proposed Project Participation, the Movie Investment Agreement and the transactions contemplated thereunder are made on normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES ON THE PROPOSED PROJECT PARTICIPATION

As at the date of the Proposed Project Participation, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Hehe Film is an Independent Third Party from the Company under the Listing Rules. Since certain of the applicable percentage ratios of the Proposed Project Participation exceed 5% but are less than 25%, the Proposed Project Participation will constitute a discloseable transaction for the Company for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Listing Rules.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day that is not a Saturday, a Sunday or a day on which a tropical cyclone warning number 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon, or a day on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon or other day on which banks are required or authorised by law to be closed in Hong Kong
“Company”	ShiFang Holding Limited (十方控股有限公司), a company incorporated under the laws of Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1831)

“Completion”	the completion of the Proposed Project Participation pursuant to the terms and conditions of the Movie Investment Agreement
“Completion Date”	within 5 days after the conditions precedent as set out in the Movie Investment Agreement have been fulfilled
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Hehe Film”	上海合禾影視投資有限公司 (Shanghai Hehe Film Investment Ltd.), a company incorporated in Shanghai, the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	individual(s), professional(s) or institutional investor(s) are independent of and not connected with the Company, any promoter(s), director(s), supervisor(s), chief executive(s), substantial shareholder(s) (as defined in the Listing Rules) of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules)
“Movie Investment Agreement”	the investment agreement dated 22 February 2016 entered into between the Company and Hehe Film for the sale and purchase of 55% of the Target Income Right

“MOU”	the strategic cooperation memorandum of understanding dated 22 December 2015 entered into between YSOLDE and Hehe Film in relation to proposed strategic cooperation to jointly invest in the production and distribution of motion pictures, including the Proposed Project Participation
“Net Income from Box Office in the PRC”	The income of the Target Media Project from its distribution, the gross box office from its screening in cinemas in the PRC and the income from any of its resale or derivatives (including incomes from information network transmission rights, TV copyrights, audio and visual product copyrights, in-flight copyright and enforcement of intellectual property rights) after deduction of the monies payable to National Film Industry Development Special Fund, value added tax and surcharges, the amounts of the box office receipts of cinemas and cinema circuit in the PRC shared by cinemas and cinema circuit, and the total investment costs and promotional expenses in respect of the Target Media Project
“NFIDSF”	National Film Industry Development Special Fund
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Proposed Project Participation”	the proposed acquisition by the Company of Target Income Right pursuant to the Movie Investment Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of HK\$0.100 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Income Right”	55% of the Net Income from Box Office in the PRC of the Target Media Project
“Target Media Project”	The film 《葉問3》 (Ip Man 3) (formerly named as 《3D葉問3》 (Ip Man 3 in 3D)), which will last for 105 minutes. The Target Media Project is directed by Mr. Wilson Yip (葉偉信), and starred by Mr. Donnie Yen (甄子丹), Mr. Zhang Jin (張晉), Ms. Lynn Hung (熊黛林), Mr. Patrick Tam (譚耀文) and Mr. Mike Tyson. It will be released in 2D, 3D and IMAX versions
“YSOLDE”	YSOLDE Group Limited, a company incorporated in the Samoa with limited liability which is a wholly-owned subsidiary of the Company
“%”	per cent.

By Order of the Board
SHIFANG HOLDING LIMITED
Tsui Yiu Ming Siuming

Executive Director (Chief Executive Officer)

Hong Kong, 22 February 2016

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of HK\$1 = RMB0.83862 (being the RMB central parity rate by the People’s Bank of China as at 22 February 2016). Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the executive Directors are Mr. Chen Zhi (Chairman), Mr. Tsui Yiu Ming Siuming (Chief Executive Officer), Mr. Zhang Tie Zhu and Mr. Yu Shiquan; the non-executive Directors are Mr. Chen Wei Dong, Ms. Chen Min and Mr. Zhou Xu Xiang; and the independent non-executive Directors are Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry, Mr. Cai Jianquan and Mr. Ng See Yuen.