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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)

**MEMORANDUM OF UNDERSTANDING
PROPOSED CAPITAL INJECTION IN
AN INTEGRATED FINANCIAL SERVICES BUSINESS
IN THE PRC**

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

The Board is pleased to announce that on 23 February 2016 (after trading hours), the Company and the Target Company entered into the MOU, pursuant to which the Company proposes to contribute new registered capital into the Target Company. Upon completion of the capital injection, the Company intends to hold not more than 15% equity interest in the Target Company based on the valuation of the latter of not more than HK\$2 billion.

The MOU is non-legally binding (save for the clauses on confidentiality and exclusivity). If the Proposed Capital Injection proceeds, Formal Agreement will be entered into between the Company or its subsidiaries and the Target Company accordingly.

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Date: 23 February 2016 (after trading hours)

Parties: (i) the Company
(ii) the Target Company

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Target Company and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s) (as defined in the Listing Rules).

The Target Company is a limited liability company established in the PRC and is principally engaged in the provision of customised and integrated financial consultancy services. Headquartered and having more than 20 branches in Shanghai, the Target Company has a strong and stable presence in nearly 30 cities across the PRC and employs more than 2,200 employees in the country.

Without the prior written consent of the Company, the preliminarily intended use of proceeds from the Proposed Capital Injection is to be applied for the expansion of offline sales and marketing network, development and extension of product portfolio and working capital of the Target Company.

Expiry

The MOU will expire at the earliest of:

- (i) the entering of the Formal Agreement between the Company or its wholly-own subsidiary and the Target Company;
- (ii) termination by any party to the MOU with one-month written notice in advance to the other; or
- (iii) six months after the date of the MOU.

Exclusivity

The Target Company undertakes that the Company shall have the exclusive rights for the Proposed Capital Injection within 6 months from the date of the MOU. Therefore, without the prior written consent from the Company, the Target Company shall not, and procure not to, negotiate with any third parties other than the Company in relation to the Proposed Capital Injection and the transactions contemplated under the MOU with similar effects during the above period.

Binding effect

Save and except for provisions relating to confidentiality and exclusivity, the MOU is not legally binding. If the Proposed Capital Injection materialises, it will constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules and the Company will comply with the relevant requirements under the Listing Rules as and when necessary.

REASONS FOR AND BENEFITS OF THE MOU

The Group is principally engaged in the businesses of cultural media, advertising media and film media in the PRC. The slowdown in the economic growth of the PRC and the increasing pressure on certain industries to expand have impacted the advertising spending of the respective industries, thereby posing challenges for the traditional media business of the Group. In the opinion of the Group, the Chinese film media industry, where the Group enters, is in the middle of a spectacular growth and the related business integrates smoothly with the Group's long-established channels for traditional media. The Group is actively exploring opportunities in the film media industry in order to enrich its business mix. The Directors consider that the Proposed Capital Injection will be beneficial to the Group from the following perspectives:

1. as an innovative service provider in integrated financial services, the Target Company proposes the idea of "Internet + film and television + finance", which turns some of its financial products into a form of consumer product for film distribution by incorporating the function of film ticket redemption with investment. The Proposed Capital Injection may facilitate future co-operation between the Group and the Target Company and, hence, give rise to the Group's potential expansion into the film distribution business;
2. the Target Company is booming in the integrated financial service industry and its sales network, assets and profit are growing rapidly in the past two years since its establishment. The customer loyalty generated from its strong network will be a potential advantage to the Group's future revenue from film media projects; and
3. the Proposed Capital Injection will provide synergy for the Group and the Target Company and is conducive to enriching the Group's business mix, product mix and revenue stream and strengthening the Group's competitiveness and market image.

The MOU is subject to, among others, the entering into of the Formal Agreement and the fulfilment of any conditions precedent (pending negotiation) contained therein. As such, the Proposed Capital Injection may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	ShiFang Holding Limited (十方控股有限公司) , a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1831)
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement entered into between the Company or its nominee(s) and the Target Company in respect of the Proposed Capital Injection
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the memorandum of understanding dated 23 February 2016 entered into between the Company and the Target Company in respect of the Proposed Capital Injection
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan

“Proposed Capital Injection”	the proposed capital injection by the Company into the Target Company. The Company intends to hold not more than 15% equity interest in the Target Company pursuant to the MOU
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.1 each of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	上海金鹿財行財富投資管理有限公司, a company incorporated in the PRC with limited liability

By Order of the Board
SHIFANG HOLDING LIMITED
Tsui Yiu Ming Siuming
Executive Director (Chief Executive Officer)

Hong Kong, 23 February 2016

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.