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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)

DISCLOSEBLE TRANSACTION – JOINT VENTURE AGREEMENT

The Board is pleased to announce that on 19 March 2019, Xiamen Duke (a wholly-owned subsidiary of the Group) entered into the JV Agreement with Huaping Electronics in relation to the joint investment in the JV Company for the purposes of engaging in the Digital Media Project in China. Pursuant to the JV Agreement, the JV Company shall have a registered capital of RMB30 million upon establishment which shall be contributed as to 51% (RMB15.3 million) by Xiamen Duke and 49% (RMB14.7 million) by Huaping Electronics in cash.

As one or more of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of the total commitment of the Company to the JV Company under the JV Agreement are more than 5% but less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 19 March 2019, Xiamen Duke (a wholly-owned subsidiary of the Group) entered into the JV Agreement with Huaping Electronics in relation to the joint investment in the JV Company for the purposes of engaging in the Digital Media Project in China.

THE JV AGREEMENT

The principal terms of the JV Agreement are summarized as follows:

Date

19 March 2019

JV Parties

- (1) Xiamen Duke; and
- (2) Huaping Electronics

Xiamen Duke is a limited liability company established under the laws of the PRC whose scope of business includes computer software and hardware, computer system integration, networking, online retailing, advertising, value-added telecommunication services and online distribution of printed media content. Xiamen Duke is a wholly-owned subsidiary of the Group.

Huaping Electronics is a limited liability company established under the laws of the PRC with a registered capital of RMB10 million whose scope of business includes electronics, telecommunication and automation technology, consultancy, online and offline retailing of electronics products, and advertising. Based on the information provided by Huaping Electronics, its registered capital is legally and beneficially owned as to 96% by Ms. Lin. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, save for Mr. Chen's 1% equity interest in Huaping Electronics as disclosed in the paragraph headed "Details of the Digital Media Project" below in this announcement, each of Huaping Electronics and its ultimate beneficial owners (including Ms. Lin) is a third party independent of and not connected with the Company and its connected persons.

JV Company

The JV Company was newly established as a limited liability company under the laws of the PRC with the company name of "Fujian Longping Electronics Technology Development Co., Ltd." (福建龍屏電子科技發展有限公司) for the purpose of taking over the Digital Media Project from Ms. Lin and Huaping Electronics. The scope of business of the JV Company includes electronics, telecommunication and automation technology, software development, network security, digital new media, information system integration, integrated circuits design, consultancy, online and offline retailing, and advertising.

Investment commitment and capital contribution of JV Company

Pursuant to the JV Agreement, the JV Company shall have a registered capital of RMB30 million upon establishment which shall be contributed as to 51% (RMB15.3 million) by Xiamen Duke and 49% (RMB14.7 million) by Huaping Electronics in cash within three months after the establishment of the JV Company. The JV Company will become a 51% owned subsidiary of the Group after its establishment and capital contribution.

The capital contribution to be made by the Company to the JV Company was arrived at after arm's length negotiation between the JV Parties with reference to the Company's assessment on the working capital and manpower requirements of the JV Company at current stage of project. The capital contribution to be made by the Company to the JV Company is expected to be funded by internal resources of the Group.

Board composition of JV Company

Under the JV Agreement, the management of the business and affairs of the JV Company will rest with the board of directors of the JV Company. After the making of the capital contribution by Xiamen Duke, the board of directors of the JV Company shall consist of three or five directors, of which Xiamen Duke shall be entitled to nominate the majority of board members. The chairman, financial controller and general manager of the JV Company shall be nominated by Xiamen Duke.

Term

The JV Agreement shall take effect upon the issue of the business license of the JV Company by the relevant PRC government authority, and will continue in full force and effect until terminated on liquidation, force majeure events or serious breach or non-performance of material terms of the JV Agreement.

DETAILS OF THE DIGITAL MEDIA PROJECT

The digital media project proposed to be undertaken by the JV Company (the “**Digital Media Project**”) involves: (a) the installation of hi-definition interactive display panels at selected indoor locations through cooperation with the premises operators; (b) the development of a mobile management platform to enable the advertisers to release pre-approved advertising content on display panels and other channels; and (c) the development of an e-commerce platform for consumer products using the project’s distribution and marketing channels. Based on the information provided by Huaping Electronics, (i) Ms. Lin is the founder of the Digital Media Project and the 96% shareholder of Huaping Electronics; and (ii) Huaping Electronics was originally established for the purposes of holding and operating the Digital Media Project, until the JV Company is formed as the new project company pursuant to the JV Agreement.

Under the terms of the JV Agreement, Huaping Electronics agreed: (a) to inject all technical know-how of the Digital Media Project into the JV Company at nil consideration; (b) to procure the core technical team of the Digital Media Project (the “**Core Technical Team**”) to join the management and operation of the JV Company for a period of at least three years; (c) to procure Ms. Lin and the Core Technical Team to enter into undertakings not to compete with the JV Company so long as they are under the employment of the JV Company and a further period of two years afterwards; (d) to use the JV Company as the exclusive platform for operating the Digital Media Project during the term of the joint venture; and (e) not to conduct other business operations or hold other assets, save and except the single purpose of holding not more than 49% equity in the JV Company. In addition, the JV Company agreed to give a right of first refusal to the Group when selecting advertising and marketing service provider.

Ms. Lin is a business acquaintance of Mr. Chen Zhi, an executive Director of the Company. Mr. Chen initially introduced Ms. Lin and the business opportunity regarding the Digital Media Project to the Company in or around mid-2018 but the Company expressed interest in providing advertising and marketing services to the project rather than making capital investment in it, due to the Company’s intention at that time to utilize its internal financial resources for other purposes. Consequently, Mr. Chen made a capital investment of 1% in the Digital Media Project for the original investment costs of RMB100,000 in consideration of having 1% equity interest in Huaping Electronics (with the registered capital of RMB10 million) being issued to Mr. Chen’s nominated entity (the “**Relevant Equity Interest**”). It was not until around March 2019 when the Company re-considered the investment opportunity in the JV Company, which ultimately led to the signing of the cooperative framework agreement dated 14 March 2019 and the signing of the JV Agreement on 19 March 2019.

CALL OPTION ON THE RELEVANT EQUITY INTEREST

Simultaneously with the signing of the JV Agreement, on 19 March 2019, Mr. Chen entered into an option agreement with Xiamen Duke whereby for the nominal consideration of HK\$1.00, Mr. Chen granted a call option exercisable by the Company within five years (the “**Call Option**”) under which Xiamen Duke is entitled to acquire the Relevant Equity Interest from Mr. Chen (or his nominated entity) at the original investment cost of RMB100,000.

Mr. Chen is an executive Director and a connected person of the Company. Given that: (a) the Company (instead of the connected person) has the discretion to exercise the Call Option; (b) the total consideration for the grant of the Call Option, even when aggregated with the exercise of the Call Option, is way below the de minimis threshold of HK\$3,000,000 under Rule 14A.76(1)(c) of the Listing Rules; (c) all applicable percentage ratios (other than profits ratio) regarding the grant and exercise of the Call Option are expected to be less than 5%; and (d) the Directors (including the independent non-executive Directors but excluding Mr. Chen who abstained in voting on Board level) are of the view that the terms of the Call Option (including the exercise price) are normal commercial terms or better from the Company's perspective, the grant and the exercise of the Call Option are fully exempt from the reporting, announcement, circular and shareholders' approval requirements for connected transactions under the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT

The Group is principally engaged in the businesses of publishing and advertising in the PRC. The Group has been focusing on restructuring its publishing and advertising businesses by consolidating with cultural and film media businesses in the PRC. In recent years, the Group acquired the media, resort and eco-tourism integrated development projects of Beijing Fangshan Project (through the acquisition of Supreme Glory Limited) and Fuzhou Yongtai Kungfu Distinctive Town Project with the view to broadening the Group's income stream in the long run and reducing its reliance on the downtrend printed media business.

The background of the Digital Media Project was set out in the paragraph headed "Details of the Digital Media Project" above in this announcement. Taking into consideration the respective experience of the Group and Huaping Electronics, the JV Parties decided to join forces and establish the JV Company as the new operating platform to carry out the Digital Media Project in China.

The formation of the JV Company is a strategic move to signify the Group's commitment to develop its digital media business, which is hoped to broaden the Group's income stream and to benefit the Shareholders in the long run. In the light of the background of the Digital Media Project and for the reasons explained above, the Directors (including the independent non-executive Directors but excluding Mr. Chen who abstained in voting on Board level due to his 1% equity interest in Huaping Electronics) are of the view that the terms of the JV Agreement, which were arrived at after arm's length negotiations between the JV Parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios calculated pursuant to the Listing Rules in respect of the total commitment of the Company to the JV Company under the JV Agreement are more than 5% but less than 25%, the entering into of the JV Agreement constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the meanings ascribed to them below:

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	ShiFang Holding Limited (十方控股有限公司), a company incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1831)
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“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
“Huaping Electronics”	Fujian Huaping Electronics Technology Development Co., Ltd. (福建華屏電子科技發展有限公司), a company established under the laws of the PRC with limited liability
“JV Agreement”	the joint venture agreement dated 19 March 2019 entered into between the JV Parties in relation to the formation, joint investment and management of the JV Company
“JV Company”	Fujian Longping Electronics Technology Development Co., Ltd. (福建龍屏電子科技發展有限公司), a company established under the laws of the PRC with limited liability and the joint venture company for holding and operating the Digital Media Project as contemplated under the JV Agreement
“JV Parties”	collectively, Xiamen Duke and Huaping Electronics
“Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chen”	Mr. Chen Zhi, an executive Director of the Company
“Ms. Lin”	Ms. Lin Aimin (林愛民), the founder of the Digital Media Project and the 96% shareholder of Huaping Electronics

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Xiamen Duke”	Xiamen Duke Information Science & Technology Co., Ltd. (廈門讀客信息科技有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Group

For ease of reference, the names of entities established in the PRC have been included in this announcement in English by way of translation and for identification purposes only even if such Chinese entities do not have an English name as part of their legal names. If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this announcement and their English translations, the Chinese version shall prevail.

By order of the Board
ShiFang Holding Limited
Siuming Tsui
Executive Director and Chief Executive Officer

Hong Kong, 19 March 2019

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