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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)**

## **ADMINISTRATIVE PENALTY DECISION ON FOREIGN EXCHANGE MANAGEMENT**

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

Fuzhou HanDing Network Science & Technology Co., Ltd. (福州漢鼎網絡科技有限公司), a wholly-owned subsidiary of the Company, received a letter of administrative penalty decision (Min Hui Fa No. [2014] 5 (閩匯罰[2014]5號)) dated 21 July 2014 issued by Fujian Province Branch of the State Administration of Foreign Exchange to impose a fine of RMB11.58 million on it. The PRC legal advisors of the Company are of the opinion that the activity of Fuzhou HanDing does not constitute any illegal settlement of foreign exchange. Fuzhou HanDing will apply to the State Administration of Foreign Exchange within the specified time period for an administrative review.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

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

On 21 July 2014, Fuzhou HanDing Network Science & Technology Co., Ltd. (福州漢鼎網絡科技有限公司) (“Fuzhou HanDing”), a wholly-owned subsidiary of the Company, received a letter of administrative penalty decision (Min Hui Fa No. [2014] 5 (閩匯罰[2014]5號)) dated 21 July 2014 issued by Fujian Province Branch of the State Administration of Foreign Exchange, finding that the settlement of foreign exchange capital fund business of Fuzhou HanDing was in breach of the requirements under Article 23 of the Regulations on the Foreign Exchange System of the People’s Republic of China and Article 4 of the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (Hui Zong Fa No. [2008] 142 (匯綜發[2008]142號)), and was an illegal settlement of foreign exchange activity. According to the requirements under Clause 2 of Article 41 of the Regulations on the Foreign Exchange System of the People’s Republic of China, Fujian Province Branch of the State Administration of Foreign Exchange ordered Fuzhou HanDing to settle back the eight settled foreign exchange fund transactions amounting to RMB231.6072 million and imposed a fine of RMB11.58 million. Fuzhou HanDing shall remit the fine of RMB11.58 million to a special account for the fine within 15 days from the date of receiving the letter of administrative penalty decision, and present the withholding receipt of Fujian Province for administrative penalty (福建省代收代繳行政罰款收據) to Fujian Province Branch of the State Administration of Foreign Exchange for closing the case. In the event of non-payment of fine when overdue, Fujian Province Branch of the State Administration of Foreign Exchange shall impose an additional daily penalty of 3% of the amount of such fine, or apply to the People’s Court for enforcement. If Fuzhou HanDing refuses to accept the administrative penalty decision, Fuzhou HanDing can apply to the State Administration of Foreign Exchange for an administrative review within 60 days from the date of receiving such letter of administrative penalty decision. In the event Fuzhou HanDing refuses to accept the administrative review decision, Fuzhou HanDing may initiate an administrative action at law. However, the execution of such administrative penalty decision will not be stayed during the review and litigation period.

## **PRC LEGAL ADVISORS’ OPINION**

The PRC legal advisors of the Company are of the opinion that the finding of illegal settlement of foreign exchange activity by Fujian Province Branch of the State Administration of Foreign Exchange pursuant to the requirements under Article 23 of the Regulations on the Foreign Exchange System of the People’s Republic of China, and Article 4 of the Notice of the General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) is a determination mistake.

The administrative penalty imposed by Fujian Province Branch of the State Administration of Foreign Exchange lacks factual and legal support.

Hence, the activity of Fuzhou HanDing does not constitute any illegal settlement of foreign exchange. The PRC legal advisors of the Company recommended that the Company should apply to the State Administration of Foreign Exchange within the specified time period for an administrative review. In the event that Fuzhou HanDing refuses to accept the administrative review decision, it should initiate an administrative action at law.

## **ACTIONS TO BE TAKEN BY THE COMPANY**

As recommended by the PRC legal advisors of the Company, Fuzhou HanDing will apply to the State Administration of Foreign Exchange within the specified time period for an administrative review. In the event that Fuzhou HanDing refuses to accept the administrative review decision, it should initiate an administrative action at law.

## **IMPACT TO THE COMPANY**

The Company has already sought for immediate legal advice and as advised by the PRC legal advisors of the Company, in the event that Fuzhou HanDing does not pay the fine within the specified period, Fujian Province Branch of the State Administration of Foreign Exchange shall impose an additional daily penalty of 3% of the amount of such fine, or apply to the People's Court for enforcement. After the application is accepted by the People's Court, it may take compulsory enforcement measures on Fuzhou HanDing, such as sealing up the account of Fuzhou HanDing, seizing the properties of Fuzhou HanDing and sequestering the equity interests of Fuzhou HanDing's foreign investments.

In view of the advice from the PRC legal advisors, the directors of the Company currently assess that such administrative penalty will not have any material adverse impact to the Company.

**Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**ShiFang Holding Limited**  
**Chen Zhi**  
*Chairman*

Hong Kong, 25 July 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 directors 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 and Mr. Cai Jianquan.*