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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agents

Capital Base Securities Limited

Green Securities Limited

On 6 May 2020 (after trading hours), the Company and the Placing Agents entered into the Placing Agreement pursuant to which the Company appointed the Placing Agents to place, on a best efforts basis and subject to the fulfillment of the conditions precedent to the Placing, a maximum of 151,519,806 Placing Shares to not less than six independent Places at a price of HK\$0.120 per Placing Share.

The Placing Price of HK\$0.120 per Placing Share represents: (i) a discount of approximately 17.24% to the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 13.79% to the average closing price of approximately HK\$0.1392 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

Assuming the Placing Shares are fully placed, the maximum number of 151,519,806 Placing Shares represents approximately 20.00% of the issued share capital of the Company of 757,599,030 Shares as at the date of this announcement, and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the maximum number of Placing Shares.

Assuming the Placing Shares are fully placed, the gross and net proceeds from the Placing will be approximately HK\$18.18 million and HK\$17.48 million, respectively. The Company intends to use such net proceeds to replenish the working capital of the Group and to meet its operational overheads and expenses (such as salaries and emoluments, rental expenses and professional fees).

The Placing is not subject to the Shareholders' approval as the Placing Shares will be issued pursuant to the General Mandate.

Shareholders and potential investors of the Shares should note that the Placing is subject to the fulfillment of the conditions precedent to completion of the Placing and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING

Date

6 May 2020 (after trading hours)

Parties

- (a) the Company; and
- (b) the Placing Agents

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Placing Agents and their ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

Placees

It is intended that the Placing Shares will be placed to not less than six Placees who and whose ultimate beneficial owners are third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. It is expected that none of the Placees nor their associates will become a substantial shareholder of the Company as a result of the Placing.

Number of Placing Shares

The Company appointed the Placing Agents to place, on a best efforts basis and subject to the fulfillment of the conditions precedent to the Placing, a maximum of 151,519,806 Placing Shares. Assuming the Placing Shares are fully placed, the maximum number of 151,519,806 Placing Shares represents approximately 20.00% of the issued share capital of the Company of 757,599,030 Shares as at the date of this announcement, and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the maximum number of Placing Shares. The aggregate nominal value of the maximum number of Placing Shares is HK\$1,515,198.06.

Placing Price

The Placing Price of HK\$0.120 per Placing Share was agreed after arm's length negotiations between the Company and the Placing Agents, with reference to the recent trading price of the Shares.

The Placing Price of HK\$0.120 per Placing Share represents: (i) a discount of approximately 17.24% to the closing price of HK\$0.145 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 13.79% to the average closing price of approximately HK\$0.1392 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

Placing Commission

Subject to completion of the Placing, the relevant Placing Agent will receive a placing commission of 3% on the gross proceeds of the Placing Shares which are successfully placed by the relevant Placing Agent. The placing commission was determined after arm's length negotiation between the Company and the Placing Agents with reference to the prevailing market rate.

Condition of the Placing

Completion of the Placing is conditional upon the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares.

If the above condition is not satisfied on or before 15 June 2020 (or such later date as may be agreed between the Placing Agents and the Company) (the "**Long Stop Date**"), the Placing will lapse and all rights, obligations and liabilities of the Placing Agents and the Company in relation to the Placing shall cease and determine and neither party shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination. None of the conditions to the Placing may be waived by any party to the Placing Agreement.

Completion of the Placing

Completion of the Placing shall take place within five business days after the fulfillment of the conditions set out in the Placing Agreement (or such other date as the Company and the Placing Agents may agree).

Rescission of the Placing Agreement

If any of the following events occur at any time prior to 10:00 a.m. on the date of completion of the Placing (the “**Completion Date**”), the Placing Agents may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the Completion Date provided that such notice is received prior to 6:00 p.m. on the day immediately preceding the Completion Date, rescind the Placing Agreement without liability to the other party, and the Placing Agreement shall thereupon cease to have effect and none of the parties shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (i) in the reasonable opinion of the Placing Agents there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (ii) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iii) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agents or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the representations and warranties contained in the Placing Agreement untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or

- (iv) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (v) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agents is material in the context of the Placing.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Placing Shares.

Application for listing

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Placing Shares.

GENERAL MANDATE

The Placing is not subject to the Shareholders' approval as the Placing Shares will be issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 24 May 2019. Pursuant to the General Mandate, the Company was authorized to issue and allot up to 151,519,806 Shares, representing 20% of the number of Shares in issue on the date of passing such resolution. The General Mandate has not been previously utilized prior to the issue of the Placing Shares. As the Placing Shares are to be issued under the General Mandate, the issue of the Placing Shares is not subject to any Shareholders' approval.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of (i) advertising services, marketing and consulting services, and printing services; and (ii) tourism and integrated services through its media, resort and eco-tourism integrated development projects and sales of agricultural products. During the past few years, the Group has been actively exploring cultural, media, integrated developments and other business opportunities in order to facilitate its development, including the Beijing Shihua Caves Niaoyulin Project, the Yongtai Distinctive Town Project and an agricultural cooperative project in Yongfu County, Longyan City, Fujian Province.

As disclosed in the Company's announcement dated 31 March 2020, as at 31 December 2019, the Group had net current liabilities of approximately RMB20.0 million, being the shortfall of its current assets of approximately RMB67.7 million as compared to its current liabilities of approximately RMB87.7 million. The Board considers that it is desirable for the Group to enter into the Placing with the view to strengthening the Group's financial position.

The terms of the Placing Agreement (including the Placing Price and the placing commission) were determined after arm's length negotiations between the Company and the Placing Agents. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Assuming the Placing Shares are fully placed, the gross and net proceeds from the Placing will be approximately HK\$18.18 million and HK\$17.48 million, respectively. The Company intends to use such net proceeds to replenish the working capital of the Group and to meet its operational overheads and expenses (such as salaries and emoluments, rental expenses and professional fees). Assuming the Placing Shares are fully placed, the net placing price will be approximately HK\$0.1154 per Placing Share.

EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the twelve months immediately prior to the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the Placing (assuming the Placing Shares were placed in full and assuming there is no other change in the issued share capital of the Company between the date of this announcement and the date of completion of the Placing):

	As at the date of this announcement		Immediately upon completion of the Placing	
	No. of Shares	%	No. of Shares	%
Mr. Chen Zhi (<i>Note 1</i>)	227,198,674	29.99	227,198,674	24.99
Mr. Yu Shi Quan (<i>Note 2</i>)	223,049	0.03	223,049	0.02
Mr. Shi Jianxiang	46,712,500	6.17	46,712,500	5.14
Happy Day (<i>Note 3</i>)	39,335,004	5.19	39,335,004	4.33
Other public shareholders	444,129,803	58.62	444,129,803	48.85
Placees	—	—	151,519,806	16.67
Total	<u>757,599,030</u>	<u>100.00%</u>	<u>909,118,836</u>	<u>100.00%</u>

Notes:

1. This represents the aggregate of (i) 1,758,164 Shares beneficially owned by Mr. Chen Zhi, the Chairman, the Chief Executive Officer and an executive Director of the Company, and (ii) 225,440,510 Shares held by TopBig International Development Limited (“**TopBig International**”), which is wholly owned by Mr. Chen Zhi.
2. Mr. Yu Shi Quan is an executive Director.
3. According to disclosure of interest filings, Happy Day Development Limited (“**Happy Day**”) is a controlled corporation wholly-owned by Chen Rong.

Shareholders and potential investors of the Shares should note that the Placing is subject to the fulfillment of the conditions precedent to completion of the Placing and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	ShiFang Holding Limited, a company incorporated in the Cayman Islands and re-domiciled and continued in Bermuda with limited liability and whose Shares are listed on the Main Board of the Stock Exchange with stock code 1831
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 24 May 2019 to issue and allot up to 151,519,806 Shares, representing 20% of the number of Shares in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries from time to time
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	any person(s) or entity(ies) procured by the Placing Agents or any of their sub-placing agent(s) to subscribe for any of the Placing Shares under the Placing
“Placing”	the best-effort placing of up to 151,519,806 Placing Shares on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agents”	collectively, Capital Base Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, and Green Securities Limited, a licensed corporation to carry on business in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
“Placing Agreement”	the agreement entered into between the Placing Agents and the Company dated 6 May 2020 in relation to Placing
“Placing Price”	HK\$0.120 per Placing Share
“Placing Shares”	a maximum of 151,519,806 Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“%”	per cent

By order of the Board
ShiFang Holding Limited
Chen Zhi
Chairman & Chief Executive Officer

Hong Kong, 6 May 2020

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