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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
INVOLVING THE ACQUISITION OF A MOBILE MEDIA
ADVERTISING COMPANY IN CHINA**

On 31 July 2020 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Interests for the cash consideration of RMB13,960,000 (equivalent to approximately HK\$15,490,000).

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Acquisition, the Vendor is a 49% substantial shareholder of the Digital Media JV Company (a 51%-owned subsidiary of the Company) and is therefore a “connected person at the subsidiary level” of the Company as defined by Rule 14A.06(9) of the Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Under Rule 14A.101 of the Listing Rules, since (1) the Acquisition was approved by the Board; and (2) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Board wishes to announce that on 31 July 2020 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Interests for the cash consideration of RMB13,960,000 (equivalent to approximately HK\$15,490,000).

The principal terms of the Acquisition Agreement are set out below:

ACQUISITION AGREEMENT

Date

31 July 2020 (after trading hours)

Parties

- (1) The Purchaser (a wholly-owned subsidiary of the Company)
- (2) The Vendor

The Vendor is a company established under the laws of the PRC with limited liability 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 the Vendor, its registered capital is legally and beneficially owned as to 99% by Ms. Ji Yanni (紀燕妮) (“**Ms. Ji**”) and 1% by Xiamen Duke (an indirect wholly-owned subsidiary of the Company). Save for the 1% shareholding of Xiamen Duke in the registered capital of the Vendor and the Vendor’s 49% equity interest in the Digital Media JV Company (as detailed in the section headed “LISTING RULES IMPLICATIONS” of this announcement), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner (i.e. Ms. Ji) is an Independent Third Party.

Subject matter of the Acquisition

Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, free from encumbrances, the Sale Interests (comprising the Sale Shares and the Sale Loans, if any).

The Sale Shares represent the entire issued share capital of the Target Company as at the date of the Acquisition Agreement and at Completion. The Sale Loans represent all the shareholders’ loans (if any) owing by the Target Company to the Vendor (or its affiliates) on Completion. Based on the information provided by the Vendor, as at the date of the Acquisition Agreement, the balance of the Sale Loans amounted to HK\$nil.

Further details of the Target Company are set out in the section headed “INFORMATION OF THE TARGET COMPANY” of this announcement below.

Consideration

The total Consideration for the Sale Interests is RMB13,960,000 (equivalent to approximately HK\$15,490,000), which is payable in cash by the Purchaser at signing of the Acquisition Agreement. The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser with reference to the number of advertising screens owned by the Target Company and the number of viewers accessible by these advertising screens.

Completion

Completion is not subject to any condition precedent and is deemed to have taken place simultaneously at signing of the Acquisition Agreement. All income earned by the Target Company with effect from the date of Completion shall belong to the Purchaser.

INFORMATION OF THE TARGET COMPANY

Based on the information provided by the Vendor, the Target Company is a company established under the laws of the PRC whose scope of business includes the production of video and television programs, internet information services, computing technical consultancy, technology services and advertising. Prior to the Acquisition, the entire registered capital of the Target Company was legally and beneficially owned by the Vendor.

The financial information of the Target Company for the two years ended 31 December 2018 and 2019, as extracted from its unaudited financial statements as prepared under generally accepted accounting standards in the PRC, are summarized below:

	For the year ended	
	31 December	
	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Income from operations	13,793	11,545
Gross profit	7,541	3,901
Profit/(Loss) before tax	212	(2,806)
Profit/(Loss) after tax	185	(2,806)

Based on the unaudited management accounts of the Target Company as at 30 June 2020 provided by the Vendor, the total assets and the net asset of the Target Company amounted to approximately RMB4,713,000 and RMB2,513,000, respectively.

Following Completion, the Target Company will become a wholly-owned subsidiary of the Group and its results will be consolidated in the Group's financial statements.

REASONS FOR AND BENEFITS OF THE ACQUISITION AGREEMENT

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.

Based on the information provided by the Vendor, the Target Company currently owns and operates: (a) an advertising business based on approximately 5,500 video broadcasting screens installed on approximately 3,000 public transport vehicles, covering the majority of commercial and residential areas of Fuzhou city and connecting to its sub-urban areas; and (b) its own video and new media production team and studio. The Group, on the other hand, is engaged in the advertising business of Southeast Express (東南快報) which is a provincial-level metropolis newspaper operated from Fuzhou and Xiamen cities and with a circulation covering the entire Fujian Province. The Company is hopeful that both the viewer network and creativity and production team of the Target Company will form synergy and add value to the existing printed media advertising business of the Group in Fujian Province, particularly Fuzhou city.

The Board is of the view that the Acquisition can strengthen the Group's development of its digital media business and is hoped to broaden the Group's income stream and to benefit the Shareholders in the long run. The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement, which were arrived at after arm's length negotiations between the parties, are on normal commercial terms or better, fair and reasonable and in the interests of the Company and its Shareholders as a whole. No Director has any material interest in the Acquisition or is required to abstain from voting on the Board's decision regarding the Acquisition.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of the Acquisition, the Vendor is a 49% substantial shareholder of the Digital Media JV Company (a 51%-owned subsidiary of the Company) and is therefore a "connected person at the subsidiary level" of the Company as defined by Rule 14A.06(9) of the Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Under Rule 14A.101 of the Listing Rules, since (1) the Acquisition was approved by the Board; and (2) the independent non-executive Directors have confirmed that the terms of the Acquisition are fair and reasonable and the Acquisition is on normal commercial terms or better and in the interests of the Company and its shareholders as a whole, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings:

“Acquisition”	the acquisition of the Sale Interests by the Purchaser from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 31 July 2020 entered into between the Purchaser and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“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
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“Consideration”	the consideration payable by the Purchaser to the Vendor for the Acquisition pursuant to the terms of the Acquisition Agreement
“Digital Media 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 which is 51% owned by the Group and 49% owned by the Vendor
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Purchaser”	Fuzhou DingCe Culture Communication Co., Ltd. (福州鼎策文化傳播有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Group
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interests”	collectively, the Sale Shares and the Sale Loans
“Sale Loans”	all the shareholders’ loans owing by the Target Company to the Vendor (or its affiliates) on Completion
“Sale Shares”	the entire issued share capital of the Target Company, which was wholly, legally and beneficially owned by the Vendor prior to the entering into of the Acquisition Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)”	having the meaning ascribed thereto under the Listing Rules
“Target Company”	Fuzhou Mobile Media Co., Ltd. (福州移動傳媒有限公司), a company established under the laws of the PRC with limited liability which was owned as to 100% by the Vendor prior to the Acquisition
“Target Group”	collectively, the Target Company and its subsidiaries
“Vendor”	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 and the vendor of the Acquisition
“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
“%”	per cent.

For the purpose of this announcement, amounts denominated in RMB have been translated into HK\$ at an exchange rate of HK\$1.00 = RMB0.90. No representation is made that any amounts in RMB and HK\$ can be or could have been converted at the relevant dates at the above rates or at any other rates at all.

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
Chen Zhi
Chairman & Chief Executive Officer

Hong Kong, 31 July 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.