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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 TRANSACTIONS IN RELATION TO THE DISPOSAL AGREEMENT AND THE SUPPLEMENTAL AGREEMENT

THE DISPOSAL AGREEMENT

On 30 September 2021, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser agreed to purchase, 100% of the Disposal Interests for the Original Consideration of RMB28,000,000, payable by the Purchaser by cash installments.

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under the Listing Rules were more than 5% but less than 25%, the Disposal would have constituted a discloseable transaction for the Company and would have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUPPLEMENTAL AGREEMENT

The Purchaser has made partial payment of the Original Consideration to the Vendor in the amount of RMB13,560,000 so far. On 2 November 2022, the Vendor and the Purchaser entered into the Supplemental Agreement to amend the Disposal Agreement such that the Disposal was scaled down to the Partial Disposal of 45% of the Disposal Interests for the Revised Consideration of RMB14,000,000, and the remaining 55% of the Disposal Interests will be retained by the Vendor and not to be sold to the Purchaser any further.

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

THE DISPOSAL AGREEMENT

On 30 September 2021, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Disposal Agreement, pursuant to which the Vendor conditionally agreed to sell and the Purchaser agreed to purchase, 100% of the Disposal Interests for the Original Consideration of RMB28,000,000, payable by the Purchaser as to 40% before 28 February 2022 and as to the remaining 60% before 31 March 2022.

The Purchaser is a company established in the PRC with limited liability which was principally engaged in digital content services, information technology services and consultancy, and other Internet services. Based on the information provided by the Purchaser, its registered capital was legally and beneficially owned as to 70% by Ms. Wu Lihong (吳麗紅) and 30% by Ms. Zhang Xiaoying (張小英). To the best knowledge, information and belief of the Directors after making all reasonable enquiries: (1) each of the Purchaser and its ultimate beneficial owners (i.e. Ms. Wu and Ms. Zhang) is an Independent Third Party; and (2) there is no (and has not been, in the past twelve months, any) material loan arrangement between (a) any counterparty of the Disposal Agreement, any of its directors or legal representatives and/or any ultimate beneficial owner(s) of the Purchaser; and (b) the Company, any connected person at the issuer's level and/or any connected person of the Company's subsidiaries involved in the Disposal.

Under the terms of the Disposal as agreed by the Vendor and the Purchaser at the relevant time:

- (a) The Premises were subject to a mortgage loan in the outstanding balance of approximately RMB9 million at the relevant time. The Vendor was allowed to apply the installment payments of the Original Consideration made by the Purchaser partially for its own use and partially for the purposes of cash injection into the Disposal Company to finance the repayment of such mortgage loan which was due in September 2021 and the working capital of the Disposal Company in general.

- (b) The Disposal Company shall undergo an internal corporate restructuring prior to the completion of the Disposal (the “**Pre-completion Restructuring**”) to carve out all other assets, liabilities and business undertakings (the “**Excluded Assets and Businesses**”) with the exception of the ownership of an office premises situated at Wanghai Lane (望海路), Siming District (思明區), Xiamen City, Fujian Province, the PRC with a gross floor area of 4,017.62 square meters (the “**Premises**”) and certain inter-company accounts which were agreed by the Purchaser to remain in the Disposal Company which can be netted-off to zero.
- (c) Subject to the completion of the Pre-completion Restructuring and in proportion to the making of installment payments of the Original Consideration by the Purchaser in accordance with the agreed payment schedule, the title of the Disposal Interests may also be transferred to the Purchaser in stages and on a pro rata basis.

Information of the Disposal Company

The Disposal Company is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company principally engaged in the maintenance and updating of the Internet portal of the Group. For the year ended 31 December 2019, the Disposal Company recorded unaudited revenue, net loss before and after tax of RMB458,000, RMB2,196,000 and RMB2,196,000, respectively. For the year ended 31 December 2020, the Disposal Company recorded unaudited revenue, net loss before and after tax of RMB1,992,000, RMB317,000 and RMB317,000, respectively. For the year ended 31 December 2021, the Disposal Company recorded unaudited revenue, net loss before and after tax of RMB709,000, RMB5,857,000 and RMB5,857,000, respectively.

Under the terms of the Disposal Agreement, the Disposal Company shall undergo the Pre-completion Restructuring to carve out the Excluded Assets and Businesses. The Pre-completion Restructuring has been completed before 30 June 2022. Following the completion of the Pre-completion Restructuring, the unaudited pro-forma total and net assets of the Disposal Company amounted to RMB40,111,000 and RMB26,751,000, respectively.

Reasons for and Benefits of the Disposal

The Group is principally engaged in the businesses of publishing and advertising in the PRC. Since the Company has run into a low bank balance back in September 2021, the purpose of the Disposal was to raise funds to repay the mortgage loan which was due in September 2021.

The Original Consideration was arrived at after arm's length negotiation between the Vendor and the Purchaser, taking into account the prevailing market value of the Premises, which are not expected by the Directors to have any significant change since the value was last assessed by the Group as at 31 December 2020 of RMB26,700,000. As the Original Consideration was higher than the market value of the Premises last assessed by the Group and the Company would be able to apply the sale proceeds to repay the mortgage loan and other liabilities of the Group when they fall due, the Directors (including the independent non-executive Directors) considered that the entering into and the terms of the Disposal (including the Original Consideration and the payment terms) were fair and reasonable and in the interests of the Company and the Shareholders as a whole. No Director regarded himself/herself to have a material interest in Disposal Agreement which requires him/her to disclose his/her interest and/or to abstain from voting on the Board level regarding the entering into of the Disposal Agreement.

The Disposal was aimed to reduce the Group's borrowings and liabilities. The Company originally expected that the Disposal would result in the Group recognizing a gain on disposal in the amount of approximately RMB1,300,000, being the difference between the Original Consideration and the market value of the Premises. If the Disposal had proceeded to completion in its original form, it would have resulted in the Disposal Company ceasing to be a subsidiary of the Company. However, as the Pre-completion Restructuring will involve the carving out of the Excluded Assets and Businesses from the Disposal Company, the Disposal, even in its original form, was not expected to result in any material adverse effect to the Company's business operations.

Non-compliance of the Listing Rules

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under the Listing Rules were more than 5% but less than 25%, the Disposal would have constituted a discloseable transaction for the Company and would have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Disposal was conducted by the management of the Vendor at the subsidiary level without notifying the Board at the relevant time, as the subsidiary management has erroneously calculated the size tests by reference to 40% of the Original Consideration given the informal consensus arrived at with the Purchaser at the relevant time that the implementation of transaction timetable is subject to funding availability of the Purchaser, that the Disposal may be conducted on pro rata basis and so the remaining 60% of the Disposal may or may not proceed. The non-compliance was an inadvertent oversight. To avoid any recurrence of similar events, the Directors have reminded its subsidiary management of the importance of Listing Rules compliance and demanded them to report to the Board if they have any doubts on the correct interpretation of the applicable rules and regulations. The Directors will consult external advisers if they are in doubt as to the appropriate compliance actions needed. In addition, the Directors intend to review its internal control policy as regards contract management, notifiable and connected transactions by the end of 2022 and conduct training sessions for its Directors, senior management and financial staff by the first quarter of 2023 to enhance their knowledge on Listing Rules compliance. With the implementation of such measures, the Company targets to enhance its internal awareness of the importance of rule compliance, including the making of appropriate disclosure in a timely manner as required by the rules.

THE SUPPLEMENTAL AGREEMENT

The payment of the Original Consideration was dependent on the obtaining of funding of the Purchaser and has fallen behind schedule. As at the date of this announcement, the Purchaser has made partial payment of the Original Consideration to the Vendor in the amount of RMB13,560,000 so far and the Disposal did not complete in accordance with the timetable contemplated in the Acquisition Agreement. Up to the date of this announcement, no equity interest in the Disposal Company was transferred to the Purchaser yet.

On 2 November 2022, the Vendor and the Purchaser entered into the Supplemental Agreement to amend the Disposal Agreement such that the Disposal was scaled down to the Partial Disposal of 45% of the Disposal Interests for the Revised Consideration of RMB14,000,000, and the remaining 55% of the Disposal Interests will be retained by the Vendor and not to be sold to the Purchaser any further.

Under the terms of the Supplemental Agreement: (a) the Partial Disposal is not subject to any condition precedent save and except the payment by the Purchaser of the remaining balance of Revised Consideration in the outstanding sum of RMB440,000 on or before 30 November 2022 and will be treated as completed as and when the equity transfer is reflected in the relevant administration of market regulation in the PRC; and (b) following completion of the Partial Disposal, the Vendor will be responsible for continuing to run its existing business of the Disposal Company in relation to the maintenance and updating of the Internet portal of the Group, including the working capital, income, expenses and the business risks of this part of the business.

The terms of the Supplemental Agreement were largely in line with the original intention of the parties that the title of the Disposal Interests may be transferred to the Purchaser in stages and in proportion to the installment payments of the Original Consideration. Given the delay in the transaction timetable, the Company does not want to grant any further extension to the transaction timetable. The Supplemental Agreement serves to eliminate the uncertainty caused by the delay in the transaction. In comparison to the original terms of the Disposal Agreement, the Company will be able to retain the control of the business operations in the Disposal Company under the Partial Disposal. In comparison to the termination of the Disposal Agreement, the Company does not need to refund the partial payment of Consideration already received and utilised. In addition, the valuation of the Disposal Company of RMB31,111,000 as implied by the Revised Consideration under the Partial Disposal is higher than the Original Consideration of RMB28,000,000 and the market value of the Premises last assessed by the Group of RMB26,700,000. Accordingly, the Directors (including the independent non-executive Directors) consider that the entering into of the Partial Disposal and the terms of the Supplemental Agreement (including the Revised Consideration) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. No Director regarded himself/herself to have a material interest in the Partial Disposal and the Supplemental Agreement which requires him/her to disclose his/her interest and/or to abstain from voting on the Board level regarding the entering into of the Partial Disposal and the Supplemental Agreement.

As explained above, the entering into of the Partial Disposal under the revised terms of the Supplemental Agreement is not expected to result in any material adverse effect to the Company's assets, liabilities or business operations. Although the Partial Disposal involves the disposal of smaller shareholding percentage of the Disposal Company, the implied valuation is higher and the gain on disposal is expected to be RMB1,985,000. Shareholders and investors shall note that the actual amount of gain on disposal resulted from the Partial Disposal will have to be further assessed after its completion and may be materially different from that contemplated above. Following completion of the Partial Disposal, the Disposal Company will remain as a non-wholly owned subsidiary of the Company.

Listing Rules Implications

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

As one or more of the applicable percentage ratios in respect of the Disposal as calculated under the Listing Rules were more than 5% but less than 25%, the Disposal would have constituted a discloseable transaction for the Company and would have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalised 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 ordinary shares of which 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
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the 100% Disposal Interests by the Vendor to the Purchaser pursuant to the original terms of the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 30 September 2021 and entered into between the Vendor and the Purchaser

“Disposal Company”	Xiamen Duke Information Science & Technology Co., Ltd.* (廈門讀客信息科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Vendor prior to the entering into of the Disposal Agreement
“Disposal Interests”	the entire equity interest in the Disposal Company held by the Vendor prior to the entering into of the Disposal Agreement
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company, its connected persons and associates
“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
“Original Consideration”	RMB28,000,000, being the original consideration of the Disposal
“Partial Disposal”	the partial disposal of the 45% Disposal Interests by the Vendor to the Purchaser pursuant to the revised terms of the transaction as amended by the Supplemental Agreement
“PRC”	the People’s Republic of China
“Purchaser”	Zhiying Xuanying Network Technology (Xiamen) Co., Ltd.* (智影炫映網絡科技(廈門)有限公司), a company established in the PRC with limited liability and an Independent Third Party

“Revised Consideration”	RMB14,000,000, being the revised consideration of the Partial Disposal
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 2 November 2022 between the Vendor and Purchaser to amend the terms of the Disposal Agreement such that the transaction was scaled down from the 100% Disposal to the 45% Partial Disposal
“Vendor”	Beijing Baichuanduke Science and Technology Co., Ltd.* (北京百傳讀客科技有限公司), a company established in the PRC with limited liability, whose economic benefits are effectively conferred to the Group and whose financial results are consolidated by the Group through “variable interest entity” arrangements, and which is regarded as a wholly-owned subsidiary of the Company for the purpose of this announcement
“%”	per cent.

In this announcement, amounts denominated in RMB have been converted into HK\$ at the exchange rate at HK\$1.00 = RMB0.91 for illustration purposes only.

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

Hong Kong, 3 November 2022

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 ChangRen, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan.

* *For identification purpose only*