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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)

BUSINESS UPDATE –
RESCISSION OF ACQUISITION BY SETTLEMENT

Reference is made to the announcements (the “**Previous Announcements**”) of ShiFang Holding Limited (the “**Company**”, which together with its subsidiaries is collectively referred to as the “**Group**”) dated 4 August 2022, 15 September 2022, 5 October 2022, 14 October 2022, 15 November 2022, 27 February 2023 and 23 August 2023 in relation to, among other things, the Acquisition constituting a discloseable transaction of the Company and the issuance by the Company of the Notice of Rescission. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Previous Announcements.

THE SETTLEMENT DEED

On 21 February 2024, the Company (as purchaser), the Vendor and the Target Company entered into a deed of settlement (the “**Settlement Deed**”) in relation to the Rescission on non-admission of liabilities basis and in full and final settlement of all claims as regards the Acquisition.

Pursuant to the Settlement Deed:

- (1) The Vendor agreed to transfer back 132,010,713 Consideration Shares to the Company or as the Company may direct.

- (2) The Company agreed to transfer back the Acquired Interest and the ETA Interests to the Vendor, the original holder(s) prior to the Acquisition, or as the Vendor may direct, as the case may be.
- (3) The Company may in its absolute discretion issue a written notice (the “**Completion Notice**”) to complete the Rescission. In accordance with such term of the Settlement Deed, the Company issued the Completion Notice on 22 February 2024, and the Rescission was deemed to have taken effect on 23 February 2024.

REASONS FOR THE RESCISSION AND SETTLEMENT

The information in relation to the Vendor, the Target Company and the Target Onshore Group were disclosed in the Previous Announcements. As disclosed in the Company’s annual report for the year ended 31 December 2022 (the “**2022 Annual Report**”), the Acquired Equity Investments were accounted for using the equity method as joint venture and associate. Financial information in relation to such joint venture and associate is set out in Note 10 to the consolidated financial statements as contained in the 2022 Annual Report.

The reasons for the Rescission have already been set out in the Company’s announcement dated 23 August 2023. The Rescission limits the Group’s exposure on the Acquired Equity Investments, enables the Company to have the Acquisition unwound and restore to the pre-Acquisition position. The Settlement Deed enables the Company to achieve a quick and amicable solution without having to resort to litigation. The return of the 132,010,713 Consideration Shares as contemplated by the Settlement Deed is equivalent to the full refund of the consideration originally paid by the Company under the Acquisition. In view of the above, the Directors (including the independent non-executive Directors) came to the view that it was in the best interest of the Company and its shareholders to have the Acquisition set aside and get back the consideration paid, and that the terms of the Rescission as contemplated by the Settlement Deed are fair and reasonable and on normal commercial terms. No Director has any material interest in the Settlement Deed or is required to abstain from voting on the Board’s decision regarding the Settlement Deed.

IMPACT

As disclosed in the 2022 Annual Report, the Acquired Equity Investments had a carrying value of RMB nil as at 31 December 2022 as recorded in the Group's consolidated balance sheet, and resulted in the loss of RMB75,034,000 being recognised in the Group's income statement for the year ended 31 December 2022. On a preliminary basis, the Company expects the return of the Consideration Shares will not result in any material gain or loss. That having said, shareholders should note that the actual gain or loss on the settlement may be different from the above and will be subject to finalisation of the Company's financial statements, the transaction fees and the review of the Company's auditor when it comes to the time of audit. Subsequent to the return of the Consideration Shares, the setting aside of the Acquisition under the Rescission is not expected to have any material adverse impact to the operations, assets and liabilities of the Group.

The Company intends to resell the Consideration Shares in due course, and apply the net sale proceeds (after deducting related expenses and costs) for the Group's general working capital.

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

Hong Kong, 26 February 2024

As at the date of this announcement, the executive Directors are Mr. Chen Zhi (Chairman & Chief Executive Officer) and Mr. Chen Ye; the non-executive Director is Mr. Wang Bao Zhu; and the independent non-executive Directors are Mr. Chai Chung Wai, Mr. Mao Xiangyun and Mr. Wei Hong.