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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)

CLARIFICATION AND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION INVOLVING THE ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

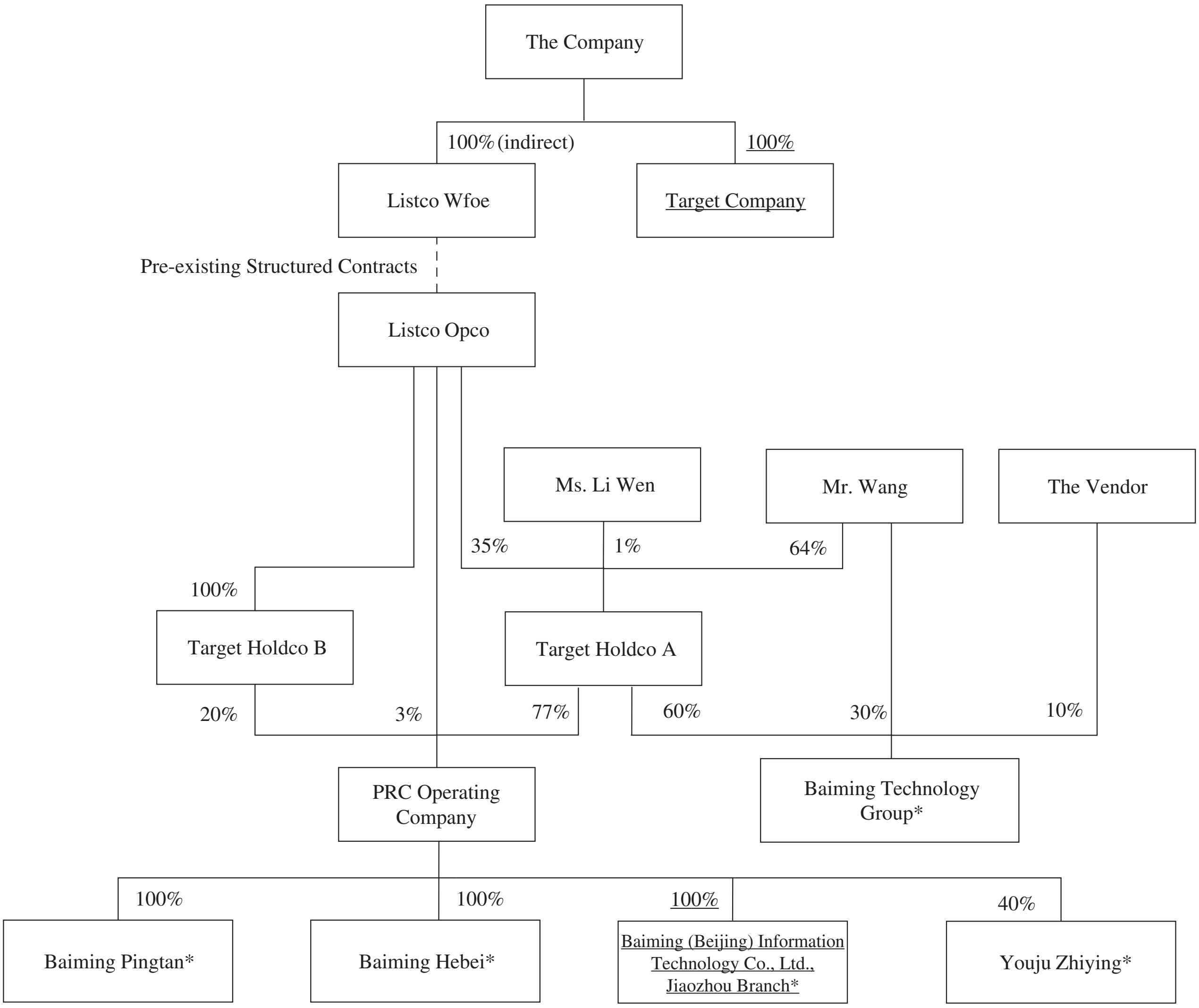
Reference is made to the announcement of ShiFang Holding Limited (the "**Company**") dated 4 August 2022 (the "**Announcement**") in relation to, among other things, the Acquisition. Unless the context otherwise requires, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

(I) CLARIFICATION ON THE ANNOUNCEMENT

The Company would like to clarify that due to inadvertent clerical errors, certain information as disclosed in the Announcement shall be amended as follows:

1. GROUP STRUCTURE

On page 40 of the Announcement, the shareholding structure of the Target Onshore Group after completion of the Equity Transfer Agreements and the Acquisition Completion should be as follows:



* *inactive*

\- - - - *flow of economic benefits through pre-existing Structured Contracts*

2. FINANCIAL INFORMATION OF THE TARGET COMPANY AND THE TARGET ONSHORE GROUP

Page 41 of the Announcement contains typographical errors on the net assets/(liabilities) of Target Holdco B and the PRC Operating Company. The correct figures for the unaudited net assets of Target Holdco A and the PRC Operating Company as at 30 June 2022 should be approximately RMB3.1 million and approximately RMB12.1 million, respectively, and the unaudited net liabilities of Target Holdco B as at 30 June 2022 was approximately RMB2.4 million.

3. SHAREHOLDING STRUCTURE OF THE COMPANY

In the shareholding table on Page 42 of the Announcement, the Vendor was just largely grouped under "Public Shareholders" for all scenarios, while in fact it should be regarded as public Shareholders only in some but not all the scenarios. The correct presentation shall be as follows.

The table below illustrates the shareholding structures of the Company (i) as at the date of the Announcement; (ii) immediately after the issue of the CPS Conversion Shares upon full exercise of conversion rights attaching to the CPS ("**Scenario 1**"); (iii) immediately after the issue of the CB Conversion Shares upon full exercise of conversion rights attaching to the Convertible Bonds ("**Scenario 2**"); and (iv) immediately after the issue of the CPS Conversion Shares and the CB Conversion Shares upon full exercise of conversion rights attaching to the CPS and the Convertible Bonds ("**Scenario 3**"), in each case assuming that there is no other change in the issued share capital of the Company:

	As at the date of the Announcement		**Scenario 1**		**Scenario 2**		**Scenario 3**	
	No. of Shares	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*	*No. of Shares*	*%*
Mr. Chen and his associate								
Mr. Chen	1,758,164	0.19	1,758,164	0.13	1,758,164	0.16	1,758,164	0.12
The Creditor *(Note 1)*	225,440,510	23.90	609,076,841	45.90	225,440,510	20.96	609,076,841	41.74
Sub-total	227,198,674	24.08	610,835,005	46.03	227,198,674	21.13	610,835,005	41.86
The Vendor *(Notes 2 and 3)*	–	–	–	–	132,010,713	12.27	132,010,713	9.05
Public Shareholders	716,240,162	75.92	716,240,162	53.97	716,240,162	66.60	716,240,162	49.09
Total	943,438,836	100.00	1,327,075,167	100.00	1,075,449,549	100.00	1,459,085,880	100.00

Notes:

1. The shareholding percentage for the Creditor is for illustration only. Under the terms of the CPS, the Creditor is unable to convert CPS to an extent which would trigger any mandatory general offer obligations under the Takeovers Code.

2. <u>Under Scenario 2, the Vendor will hold approximately 12.27% of the issued share capital of the Company as enlarged by the 132,010,713 CB Conversion Shares, will become a substantial shareholder of the Company and therefore would not be regarded as a public shareholder of the Company.</u>

3. <u>Under Scenario 3, the Vendor will hold approximately 9.05% of the issued share capital of the Company as enlarged by the 383,636,331 CPS Conversion Shares and the 132,010,713 CB Conversion Shares, and will be regarded as a public shareholder of the Company.</u>

4. Certain percentage figures in the above table are subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

4. VIE ARRANGEMENTS AND THE STRUCTURED CONTRACTS

The section headed "VIE ARRANGEMENTS AND THE STRUCTURED CONTRACTS – Reasons for using the VIE structure in the Acquisition" contain two typographical errors. On page 46 of the Announcement, the correct version of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (外商投資准入特別管理措施(負面清單)) should be 2021 instead of 2020.

In the first paragraph on page 47 of the Announcement, it should be Listco Opco (not Listco Wfoe) which is to be nominated by the Target Company to acquire the ETA Interests. Therefore, the first sentence should correctly read as follows: In light of such foreign ownership prohibition, the Target Company intends to nominate <u>Listco Opco</u> to acquire the ETA Interests, such that the pre-existing Structured Contracts would enable the Company to capture the economic benefits of the ETA Interests. The Structured Contracts were in place for many years and have enabled the Company to consolidate the financial results and assets of Listco Opco in the Company's audited consolidated financial statements, as if Listco Opco were a subsidiary of the Group.

In the sixth line, first paragraph of page 48 of the Announcement, under the section headed "VIE ARRANGEMENTS AND THE STRUCTURED CONTRACTS – Legality under the PRC law", there contains a typographical error. Item (b) should read as follows: the Structured Contracts would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC law (not PRC contract law).

Save for the clarifications disclosed above, all other information contained in the Announcement shall remain unchanged.

(II) SUPPLEMENTAL INFORMATION ON THE DISCLOSEABLE TRANSACTION

The Company would like to provide the following supplemental information in relation to the Acquisition constituting a discloseable transaction:

1. BASIS OF THE ACQUISITION CONSIDERATION

Internal assessment by the Board in respect of the Acquisition Consideration

Before the entering into of the Acquisition Agreement, the Board considered that the following internal research, mechanism and information are sufficient for their judgement of the fairness and reasonableness of the Acquisition Consideration and the protection of interest of the Company and the Shareholders:

(i) The Profit Guarantees has already served as the basis for determination of the forward P/E ratio of the PRC Operating Company ("**Forward P/E Ratio**"), which is a commonly adopted valuation method in merger and acquisition transactions. The Board noted from a number of acquisition transactions conducted by companies listed on the Stock Exchange that the forward P/E ratio implied by the future guarantee profit was used as a basis for justification of the acquisition consideration when the profit guarantee was provided by vendor.

(ii) The Company has relied on its internal research to assess the fairness and reasonableness of the Acquisition Consideration by comparing the Forward P/E Ratio with the P/E ratio of two comparable companies. The Board adopted the following selection criteria in screening comparable companies: (a) the shares of which are listed on the Stock Exchange; (b) the principal business of which are similar with the short video business of the PRC Operating Company; and (c) which have generated profit in the latest full financial year. However, due to the unique nature of the principal activities of the PRC Operating Company, the Company found an exhaustive list of only two comparable companies (namely, Uju Holding Limited (stock code: 1948) and Netjoy Holdings Limited (stock code: 2131), collectively, the "**Comparable Companies**"). Having considered that (i) the principal business of the Comparable Companies are similar with the short video business of the PRC Operating Company; and (ii) both the Comparable Companies and the PRC Operating Company are subject to the same economic fluctuation and industry environment, implying that they are facing similar market and industrial risks and rewards, the Board is of the view that the selection criteria can form a fair and reasonable analysis and thus the Comparable Companies are representative.

    As the PRC Operating Company is a private company while the Comparable Companies are listed companies, it is considered that marketability discount should be taken into account when assessing the fairness and reasonableness of the Acquisition Consideration. Given that (i) the Forward P/E Ratio of the PRC Operating Company of approximately 2.0 times is substantially lower than the average P/E ratio of the Comparable Companies of approximately 8.2 times; and (ii) according to Stout Restricted Stock Study Companion Guide 2021, the median/average marketability discount ranges from 15.8% to 20.6%, the Board considers that the Acquisition Consideration is still fair and reasonable after taking into account marketability discount.

(iii) The Board considered that such a low Forward P/E Ratio of approximately 2.0 times is an attractive deal for any profit-making company and the Acquisition Consideration.

(iv) The Acquisition has already built in the Compensation Amount mechanism under the Profit Guarantees in order to protect the interest of the Company and the Shareholders. In case the Actual Profit falls short of the Guaranteed Profit, the Vendor shall compensate the difference by surrendering the proportionate principal amount of the Convertible Bond or the Promissory Note (as the case may be). The Board considered that this mechanism can keep the Forward P/E Ratio at approximately 2.0 times if any Actual Profit turn out to be equal to or less than RMB80 million and, on the other hand, the Forward P/E Ratio will be lower than 2.0 times if the Actual Profit turns out to be higher than the Guaranteed Amount. That being the case, the Profit Guarantees and the Compensation Amount mechanism serve to provide confidence to the Company that the downside of the Acquisition is well-covered while the Group can enjoy the upside benefit of the Acquisition.

(v) The Forward P/E Ratio is considered to be an appropriate parameter in evaluating the value of the PRC Operating Company given that the PRC Operating Company is calculated by using the aggregate Guaranteed Profits for the year ending 31 December 2022, which reflects the growing potential of the PRC Operating Company.

No historical P/E ratio of the PRC Operating Company can be presented as it was in a loss making position for the year ended 31 December 2021. For illustrative purpose, assuming that the net profit after tax for the second half of 2022 would be the same as the audited Actual Profit for 1H2022 of approximately RMB79.5 million, the hypothetical P/E ratio of the PRC Operating Company would be approximately 1 time, which is also lower than the average P/E ratio of the Comparable Companies of approximately 8.2 times.

In view of the above, although the Acquisition Consideration is higher than the aggregated net asset values of Target Holdco A, Target Holdco B and the PRC Operating Company as at 30 June 2022, the Company is still of the view that the Acquisition Consideration is fair and reasonable.

Prospect of the short video market in the PRC

According to a research conducted by Qianzhan Industry Institute(前瞻產業研究院) (an industry consultant established in 1998 in the PRC, providing industry analysis for corporations, government and institutes) published on 13 May 2022, the short video market in the PRC has grown rapidly since 2016. The revenue of the short video industry is mainly generated from advertising income, e-commerce commission, live streaming profit sharing and games. The total gross revenue of the short video market in the PRC increased from approximately RMB1.9 billion in 2016 to approximately RMB205.1 billion in 2020, representing a compound annual growth rate of approximately 222.3%.

It is believed that the introduction and popularization of 5G will further accelerate the speed of data transmission, reduce traffic costs on mobile internet and enhance the technology and quality of short videos, which will, in turn, enrich short video users' experience by different presentation effects and formats. Empowered by increasing demand, the total gross revenue of short video is expected to reach RMB692.5 billion in 2026, representing a compound annual growth rate of approximately 22.5% from 2020 to 2026.

Having taken into account the above, together with the market overview as discussed in the Announcement (in particular, the growing number of online short video users in the PRC), the Board believes that the short video market in the PRC will continue its growth in the coming future, and that the prospect of the short video market in the PRC is promising.

Fairness and reasonableness of the terms of the Acquisition

The Board considers that the terms of the Acquisition are fair and reasonable and in the interests of the shareholders as a whole because:

(i) The Company has conducted due diligence work and is impressed by the profitability rebound of the PRC Operating Company for the six months ended 30 June 2022 and understand from the Vendor that this is the result of the foundation works of the PRC Operating Company in 2020 and 2021, and the financial performance is expected to take off in 2022. The opportunity to acquire a rapid-growing target business at a Forward P/E Ratio of mere 2 times is considered by the Company to be an attractive investment opportunity.

(ii) The Profit Guarantees are supported by fair compensation mechanisms as stipulated in the Acquisition Agreement. The levels of Guaranteed Profits are based on observation on the profitability trend of the PRC Operating Company for the six months ended 30 June 2022, which in the opinion of the Company have reasonable prospects of being able to be fulfilled.

(iii) Based on the findings of the Company's due diligence team, the PRC Operating Company signed contracts with a network of many distributors in different provinces in the PRC, and established cooperation with numerous short video platforms in or outside China. Based on revenue recorded during the first half of 2022 which is derived from a variety of distributors and platforms, the Company is satisfied with the quality of earnings of the PRC Target Company and its sustainable growth.

(iv) Through the acquisition of the Target Company, the Company essentially acquires the right of nomination of the transferee under the ETAs. Through the direct nomination method as contemplated by the parties, the proportionate interest in the economic benefit of the Target Onshore Group will be conferred to the Group after completion of the Acquisition.

2. PROFIT GUARANTEES

Basis of determination of the Guaranteed Profits

During the negotiation stage back in July 2022, the Board noted from the unaudited management account of the PRC Operating Company that the unaudited net profit after tax for 1H2022 amounted to approximately RMB79.5 million. Given that the accounts of the PRC Operating Company for 1H2022 has yet to be audited before the entering into of the Acquisition Agreement, the Board considered that it was prudent to fix the First Guaranteed Profit at lower than the unaudited figure of the PRC Operating Company provided by the Vendor before the Acquisition. In addition, the Board wishes to make sure that the PRC Operating Company will continue to generate profit in the second-half of 2022. Therefore, the Second Guaranteed Profit of no less than RMB20 million and the Third Guaranteed Profit of no less than RMB20 million were further negotiated with the Vendor with a view that the profitability of the PRC Operating Company for 2022Q3 and 2022Q4 will continue to be in good track and stable trend before the release of the second and third batches of the Convertible Bond or Promissory Note (as the case may be). The Board is of the view that the division of the Profit Guarantees into three tranches is beneficial to the Group as the PRC Operating Company has to meet the Guaranteed Profit set for each of the periods independently and the obligation of the Group to release the Convertible Bond or Promissory Note (as the case may be) will be separated into three times.

During 1H2022, the PRC Operating Company earned a hi-tech government subsidy of RMB0.5 million, which will be treated as One-off Income and excluded in the calculation of the Actual Profit of the PRC Operating Company so as to ensure that the Guaranteed Profit of the PRC Operating Company is purely derived from the principal business activity of the PRC Operating Company.

According to the audited accounts of the PRC Operating Company provided by the Vendor, its audited net profit after tax for 1H2022 amounted to approximately RMB79.5 million, inclusive of a One-off Income of RMB0.5 million. Save and except for the said Hi-tech government subsidy of RMB0.5 million, the remaining profits of the PRC Operating Company for 1H2022 were derived from the ordinary and usual course of business, and there was no other One-off Income which needs to be carved out from the aforementioned profit figure. As such, the Company is of the view that PRC Operating Company has met the First Guaranteed Profit.

Additional information on the business model of the PRC Operating Company

The PRC Operating Company operates a video content creation platform (the "**Content Creation Platform**"), namely, "Xiaozhu Youban"(小豬優版), which owns a legally-licensed and copyrighted multimedia content library (the "**IP Content Source**") and provides copyright commercial operation service, content promotion service, content distribution service with an aim to providing content creators (the "**Content Creators**") with a simple, fast, efficient and high-value content open platform for their creation and distribution of short videos. The Content Creation Platform operated by the PRC Operating Company provides content source, platform and services to enable the Content Creators to operate their self-media or studio through the creation of short videos, attracting viewers and subscribers and monetizing content through live-streaming e-commerce or online advertising and marketing.

Many Content Creators operate their content production and monetization activities by way of small to medium sized studios, each known as a multi-channel network ("**MCN**"). The PRC Operating Company charges its Platform users by selling service packs of IP Content Source to them, and the Platform users are charged under the units of MCNs rather than Content Creators. According to the information provided by the Vendor, both the numbers of MCNs and active Content Creator accounts have grown substantially since the second half of 2021 and the growth rate continued during the first half of 2022 and is expected to continue for the rest of 2022 and 2023.

MCNs and Content Creators require after-sales services, ranging from the guidance on the industry ecosystem, video-taking techniques and referrals to advertising and marketing agents of brand names or products. To assist the PRC Operating Company in distributing its IP Content Source and providing the after-sales services to the huge customer base of its active paying MCNs and Content Creators, the PRC Operating Company has signed distribution contracts with distributors in different provinces and cities around China (the "**Distributors**"). To the best of the Company's information and knowledge after making all reasonable enquiries, the Distributors and their ultimate beneficial owners are independent of and not connected with: (a) the Company and its connected persons or associates; (b) the Vendor and its associates; or (c) the shareholders and directors of the Target Onshore Group.

According to the Vendor, the terms of the distribution contracts with the Distributors were arrived at upon arm's length negotiation but are normally based on the standard template provided by the PRC Operating Company, containing (amongst other things) the following key terms: (a) their appointments as exclusive distributors for a particular province or city to distribute the IP Content Source of the PRC Operating Company and to provide after-sales services to the Content Creators in that region; and (b) in return, the PRC Operating Company shall pay the Distributors a fee which is based on a profit-sharing proportion of the selling proceeds of the service packs of IP Content Source sold to the MCNs in the operating region of that Distributor, plus a profit-sharing proportion of the advertising subsidies generated by the Content Creators in the operating region of that Distributor.

As with many early stage online business industry players, the PRC Operating Company also needed to spend initial investment on recruiting talents, establishing the Internet platform and distribution networks, operation overheads, launching business development activities, obtaining legal license from copyright owners of multimedia content, and paying fees and subsidies to distribution agents, before its IP Content Source and distribution network have achieved the critical mass to win sufficient purchase orders from MCNs and Content Creators around China to turnaround into profitability. Since the number of its paying active MCNs and Content Creators achieved the level in December 2021, the Company noticed that the PRC Operating Company showed a consistent profit-making track record every month in the first half of 2022, as the number of MCNs and Content Creators continued to grow.

The Board is of the view that the financial performance of the PRC Operating Company should be able to achieve sustainable growth because of the following factors: (a) while its net assets are minimal as at June 2022, it has an established distribution network, significant number of paying active MCNs and Content Creators, sizeable IP Content Source of multimedia content and short video production which can sustain its business presence and growth; (b) it consistently demonstrated cash inflow from operation and profitability every month in the first half of 2022; and (c) the number of MCNs, active Content Creators and monthly revenue appear to be on the upward rather than the downward cycle.

Proportionate principal amount of the Convertible Bonds or Promissory Note to be issued for each of the guarantee period if the Profit Guarantees are met

The Convertible Bonds or the Promissory Note (as the case may be) in the aggregate principal amount of HK$92,407,500 is divided into three equal tranches of principal amount of HK$30,802,500, each corresponding to the three Profit Guarantees. If the Profit Guarantee for a guarantee period (i.e. 1H2022, 2022Q3 or 2022Q4) is met, the Convertible Bonds or Promissory Note in the principal amount of HK$30,802,500 will be automatically converted by the Company (only in the case of Convertible Bonds) and released to the Vendor (or his nominated entity(ies) as he may direct) within 15 days after the final determination of the Actual Profit as agreed by the Company and the Vendor.

The Company has applied to the Listing Committee of the Stock Exchange for the approval of listing of, and the permission to deal in, the 132,010,713 CB Conversion Shares.

3. REASONS FOR AND BENEFIT OF THE ACQUISITION

Company's intention to acquire the remaining interest in the PRC Operating Company

Since the making of the decision to acquire only 49.95% non-controlling interest in the PRC Operating Company, the Board has focused on the progress of the Acquisition and has no current intention to acquire the remaining interest in the PRC Operating Company. However, the Board does not preclude the possibilities of acquiring further interest in the PRC Operating Company after the Profit Guarantee periods. The Board's future intention will depend on many factors including without limitation the future performance of the PRC Operating Company, the willingness of negotiation of vendors, the terms offered by vendors as to the quantum and method of settlement of consideration, and the impact of such further acquisition to the Group's operations and financial position. The Company emphasizes that subsequent to the lapse of the Another Acquisition Agreement as disclosed in the Announcement, it is not currently engaged in any negotiation with anyone with the view to acquiring the remaining equity interest in the PRC Operating Company. Further announcement will be made by the Company if any further acquisition materializes, in which case the Company will ensure compliance with the applicable Listing Rules provisions.

Synergy through cooperation with the Target Onshore Group's business

The Directors consider that by virtue of becoming a substantial shareholder of the PRC Operating Company, the Group can make use of the video content creation platform of the PRC Operating Company, namely Xiaozhu Youban (小豬優版), to develop its short video advertising business and thus strengthen the diversity and competitiveness of the Group's advertising business. On the other hand, the PRC Operating Company can leverage on the Group's experience in integrated development and content-provision with the view to explore cooperation as regards the establishment of training and incubation centres in future. In the light of the foregoing, the Directors are of the view that the synergy effect to be generated from the Acquisition is beneficial to the Group and the PRC Operating Company.

No inter-conditionality with the Loan Capitalisation

The Loan Capitalisation and the Acquisition are not conditional on or inter-conditional with each other.

No material loan arrangements with the Vendor and the Target Onshore Group

The best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is no (and has not been, in the past twelve months, any) material loan arrangement between (a) any counterparty of the Acquisition, any of its directors or legal representatives and/or any ultimate beneficial owner(s) of the Vendor and the Target Onshore Group; 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 Acquisition.

4. FINANCIAL INFORMATION OF THE TARGET COMPANY AND THE TARGET ONSHORE GROUP

The Target Company is an investment holding company with no business operations or undertakings save for its contractual right to nominate a domestic entity to take up the ETA Interests under the Equity Transfer Agreements.

The financial information of Target Holdco A, Target Holdco B and the PRC Operating Company as extracted from their accounts for the six months ended 30 June 2022 are summarized as below:

	Target Holdco A	**Target Holdco B**	**PRC Operating Company**
	(Unaudited)	(Unaudited)	(Audited)
	RMB'000	*RMB'000*	*RMB'000*
Revenue	281	3,137	261,387
Net (loss)/profit before tax	(1)	(654)	82,514
Net (loss)/profit after tax	(1)	(654)	79,466

5. VIE ARRANGEMENTS AND THE STRUCTURED CONTRACTS

The ETAs have not been completed and are expected to complete simultaneously with the Acquisition, such that the Target Company can directly nominate the Listco Opco as transferee of the ETA Interests. Based on the advice of the Company's PRC legal adviser, there is no legal impediment as to the completion of the ETAs, and that no regulatory approval is required for the completion of the ETAs.

By virtue of the Structured Contracts (under which the Listco Wfoe receives a substantial portion of economic benefits from Listco Opco, exercises effective control over it and has an exclusive option to purchase its entire equity interests to the extent permissible by PRC law), Listco Opco is a structured entity and deemed as a subsidiary of the Company under the requirements of IFRS 10 "Consolidated financial statements". The Company consolidates, and is expected to continue to consolidate, the results, assets and liabilities of Listco Opco in the consolidated financial statements of the Group.

As advised by the Company's PRC legal advisers, (a) the pre-existed Structured Contracts of the Company did not restrict the applicability to any specific scope of business or specific entities, such that the pre-existed terms of the Structured Contracts should generically apply to the Listco Opco and any entities invested by it whether now or in the future; (b) there is no prohibition in the laws and regulations in the PRC restricting the Listco Opco from acquiring the equity interests in other domestic companies in the PRC, or otherwise affecting the validity of the Structured Contracts as a result of such acquisitions; (c) through the acquisition of the ETA Interests by the Listco Opco, the Company will be able to capture the management influence or control (depending on the controlling or non-controlling nature of the shareholding percentage acquired) and the economic interest (including through dividends) via the VIE arrangements of the Structured Contracts; and (d) the ETA Interests could be covered by the Company's pre-existed VIE structure such that no new contractual arrangements are required to be signed for the specific purpose of completing the Acquisition and the Equity Transfer Agreements.

The Company is of the view that the Structured Contracts comply with the requirements under the Stock Exchange's Guidance Letter HKEx-GL77-14.

Background of the Listco Opco Shareholders, Mr. Wang, Mr. Zhang, the Vendor, Mr. Shi Zhongyi and Mr. Xie Peng

The Listco Opco is held as to 60% by Mr. Zheng Boling (鄭柏齡) ("**Mr. Zheng**") and as to 40% by Mr. Xu Kaining (許開寧) ("**Mr. Xu**"), both of them being the Company's management who first joined the Group even before the Company's listing in Hong Kong in 2010. Both Mr. Zheng and Mr. Xu have many years of experience in advertising, business management and/or finance, and are currently part of the management of the Group.

Mr. Wang, Mr. Zhang, the Vendor, Mr. Shi Zhongyi ("**Mr. Shi**") and Mr. Xie Peng ("**Mr. Xie**") are all PRC nationals and founding shareholders and management of the PRC Operating Company since its establishment in 2020. Mr. Wang, aged 38, has experience in the internet industry and copyright industry, and is the legal representative and director of Target Holdco A and the legal representative, chairman of the board of directors of the PRC Operating Company. Mr. Zhang, aged 34, has experience in the internet industry and new media industry, and is the legal representative and director of Target Holdco B and the financial controller of the PRC Operating Company. The Vendor, aged 35, has experience in the internet industry, and is the legal representative and director of Target Holdco C and the general manager of the PRC Operating Company. Mr. Shi, aged 33, has experience in the internet industry, and is the marketing director of the Target Holdco B. Mr. Xie, aged 31, has experience in the short video industry, and is the chief executive officer of the PRC Operating Company.

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

Hong Kong, 5 October 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 Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan.