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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)

**(I) COMPLETION OF THE ACQUISITION;
AND
(II) FULFILMENT OF THE FIRST PROFIT GUARANTEE**

Reference is made to the announcements (the “**Announcements**”) of ShiFang Holding Limited (the “**Company**”) dated 4 August 2022, 15 September 2022 and 5 October 2022 in relation to, among other things, the Acquisition constituting a discloseable transaction for the Company and involving the issue of the Convertible Bonds under the General Mandate. Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

(I) COMPLETION OF THE ACQUISITION

The Board is pleased to announce that the Acquisition Conditions have been fulfilled and the Acquisition Completion took place on 14 October 2022.

Pursuant to the terms and conditions of the Acquisition Agreement, on 14 October 2022, the Acquisition Consideration of HK\$92,407,500 was satisfied by the issue by the Company of three equal tranches of Convertible Bonds of HK\$30,802,500 each under the General Mandate, which are put in escrow with the Company and will only be converted into CB Conversion Shares if and when the following three performance guarantees in respect of the financial performance of the PRC Operating Company (collectively, the “**Profit Guarantees**”) are satisfied, that is, if the Actual Profit excluding any One-off Income of the PRC Operating Company shall be no less than:

- (1) in respect of the first tranche of the Convertible Bonds (the “**First Tranche CB**”), the First Guaranteed Profit for 1H2022 of RMB40 million (the “**First Profit Guarantee**”);
- (2) in respect of the second tranche of the Convertible Bonds (the “**Second Tranche CB**”), the Second Guaranteed Profit for 2022Q3 of RMB20 million (the “**Second Profit Guarantee**”); and
- (3) in respect of the third tranche of the Convertible Bonds (the “**Third Tranche CB**”), the Third Guaranteed Profit for 2022Q4 of RMB20 million (the “**Third Profit Guarantee**”).

Pursuant to the terms and conditions of the Acquisition Agreement, the Convertible Bonds were, upon issue, deposited by way of escrow with the Company pending the determination of the extent of satisfaction of the Guaranteed Profits. If and when the Profit Guarantee for the guarantee periods of 1H2022, 2022Q3 or 2022Q4 is met, the corresponding tranche of the Convertible Bonds in the principal amount of HK\$30,802,500 will be automatically converted by the Company 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, being no later than 15 days after the date of the Acquisition Completion in respect of the First Tranche CB, 30 November 2022 in respect of the Second Tranche CB and 28 February 2023 in respect of the Third Tranche CB, respectively.

(II) FULFILMENT OF THE FIRST PROFIT GUARANTEE

As disclosed in the announcement of the Company dated 5 October 2022, the Actual Profit of the PRC Operating Company for 1H2022 amounted to approximately RMB79.5 million (inclusive of One-off Income) and approximately RMB79 million (exclusive of One-off Income). As such, the Company determines on 14 October 2022 that the Vendor has met the First Guaranteed Profit.

Pursuant to the terms of the Acquisition Agreement, the First Tranche CB in the principal amount of HK\$30,802,500 will be automatically converted by the Company into 44,003,571 CB Conversion Shares (the “**First Tranche CB Conversion Shares**”) at the CB Conversion Price of HK\$0.70 per CB Conversion Share and to be released to the Vendor (or his nominated entity(ies) as he may direct). The First Tranche CB Conversion Shares represent approximately 4.66% of the issued share capital of the Company as at the date of this announcement and approximately 4.46% of the issued share capital of the Company as enlarged by the allotment and issue of the First Tranche CB Conversion Shares.

(III) EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after the allotment and issue of the First Tranche CB Conversion Shares; and (iii) immediately after the allotment and issue of all three tranches of the CB Conversion Shares on the assumption that the Second and Third Profit Guarantees are to be satisfied in full in due course, in each case assuming that there is no other change in the issued share capital of the Company:

	As at the date of this announcement		Immediately after the allotment and issue of the First Tranche CB Conversion Shares		Immediately after the allotment and issue of all three tranches of the CB Conversion Shares	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Chen and his associate						
Mr. Chen	1,758,164	0.19	1,758,164	0.18	1,758,164	0.16
The Creditor	225,440,510	23.90	225,440,510	22.83	225,440,510	20.96
<i>Sub-total</i>	<i>227,198,674</i>	<i>24.08</i>	<i>227,198,674</i>	<i>23.01</i>	<i>227,198,674</i>	<i>21.13</i>
The Vendor (<i>Notes 1 and 2</i>)	–	–	44,003,571	4.46	132,010,713	12.27
Public Shareholders	716,240,162	75.92	716,240,162	72.53	716,240,162	66.60
Total	943,438,836	100.00	987,442,407	100.00	1,075,449,549	100.00

Notes:

1. Immediately after the allotment and issue of the First Tranche CB Conversion Shares, the Vendor will hold approximately 4.46% of the issued share capital of the Company as enlarged by the First Tranche CB Conversion Shares, and will be regarded as a public shareholder of the Company.
2. Immediately after the allotment and issue of all three tranches of the CB Conversion Shares on the assumption that the Second and Third Profit Guarantees are to be satisfied in full in due course, the Vendor will hold approximately 12.27% of the issued share capital of the Company as enlarged by 132,010,713 CB Conversion Shares in aggregate, will become a substantial shareholder of the Company and therefore would not be regarded as a public shareholder of the Company.
3. 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.

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

Hong Kong, 14 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.