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 ANNOUNCEMENT AND CLARIFICATION ON SIGNIFICANT FLUCTUATIONS IN FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2023 AS COMPARED WITH THE EIGHTEEN-MONTH PERIOD ENDED 30 JUNE 2024

The board of directors (the "**Board**") of Shifang Holding Limited (the "**Company**") hereby clarifies that recent market rumours regarding the Company's intention to invest in "Fuzhou Xin Shang Postpartum Care Center（福州馨尚月子中心）" ("**Xin Shang Postpartum Care Center**") and to assume responsibility for employee salary arrears of that project are all untrue. Any matters undertaken by "Xu Wensheng（許文生）" through the registration of companies under names related to "Shifang Xin Shang（十方馨尚）" – without obtaining lawful authorisation from the Company's board of directors and without ever having confirmed to the Board that he personally possesses sufficient funds to participate in any business of the Company – are unrelated to the Company. The Company's financial performance has been loss-making for many years. In order to reduce financial losses and achieve a turnaround to profitability as soon as possible, and in accordance with the disclosed results announcements, the Company has consistently adhered to reducing investment amounts in loss-making businesses or outsourcing certain high-cost, low-margin operations to safeguard the fundamental interests of all shareholders of the Company. Under such circumstances, the Company will absolutely not disregard the fundamental interests of all shareholders of the Company by investing in seriously loss-making projects such as "Xin Shang Postpartum Care Center" or assuming employee salary arrears of such projects, thereby increasing the Company's gearing ratio. Furthermore, the Board also reiterates that if "Xu Wensheng" or any statutory third party or any individual not publicly authorised by the Board uses the Company's name to obtain catering or any commercial services without payment, receive any benefits from any statutory third party or individual, promise investments, or engage in any other activities, such matters are unrelated to the Company, and the Company will not bear any financial expenses or obligations arising therefrom. The Company does not have any senior management or authorised representatives beyond those already disclosed in its public announcements.

The Company hereby discloses, for the purpose of enhanced transparency, the significant fluctuations in its financial performance for the twelve months ended 31 December 2023 as compared with the eighteen-month period ended 30 June 2024 (the "**Period**"), in particular the decrease in revenue from RMB56.6 million to RMB24.6 million, and the decrease in administrative expenses from RMB42.677 million to RMB23.113 million.

1. REASONS FOR THE DECREASE IN REVENUE

Based on the Interim Results (the twelve months ended 31 December 2023) and Annual Results (the eighteen months ended 30 June 2024) (prepared in accordance with IFRSs and reviewed by the Audit Committee), the Company recorded significant fluctuations in revenue. The primary reason for the decrease in revenue (and the corresponding decrease in cost of sales from RMB46.8 million to RMB19.2 million) was the return of agricultural products (the "**Return**"). Details are as follows:

(a) The revenue amount of the returned agricultural products was RMB32 million and the cost of sales was RMB24.69 million. The return took place during the period from 31 March 2024 to 30 June 2024. This was the main factor contributing to the substantial decline in revenue and cost of sales for the Period compared to the prior corresponding period.

(b) The relevant sales contracts have been terminated at the Company level. However, the Company has not incurred any liability as a result of such termination. This is because the Company's agricultural products sales business primarily operates under a "**cooperative**" model. Under this model, the Company returns the agricultural products to the cultivators (farmers/households), who then settle directly with the buyers pursuant to the sales contracts. The Company no longer retains any rights or interests in the returned agricultural products and is not required to assume any obligations under those contracts. Pursuant to Articles 34 and 40 of the "Law of the People's Republic of China on Farmers' Professional Cooperatives", transactions shall be accounted for separately, and upon division, pre-division debts are borne by the post-division entity (in this case, the farmers). Accordingly, the Company has no liability in this regard.

(c) The corresponding contracts for the purchase of agricultural products from the cultivators have also been terminated, and the Company has no liability arising from the termination of such purchase contracts for the same reasons stated above.

Clarification on Revenue Recognition under IFRS 15

According to the Company's 2024 Annual Report, the Group adopts the five-step approach under IFRS 15 for revenue recognition and recognises revenue when (or as) a performance obligation is satisfied, i.e., when control of the goods or services underlying the particular performance obligation is transferred to the customer.

The revenue of RMB56.6 million for the twelve months ended 31 December 2023 was recognised upon the signing of the relevant sales contracts, rather than upon physical delivery of the agricultural products. The Board is of the view that this recognition is in compliance with IFRS 15 and the revenue recognition policies set out in the 2024 Annual Report, for the following reasons:

(i) Existence of contract: From the date of signing the sales contracts, the buyers had the right to require the Company to dispose of the agricultural products that were the subject of the contracts in accordance with the buyers' instructions. This demonstrates that a valid contract existed.

(ii) Transfer of control: Under IFRS 15 Step 5, "control" is defined as the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. In this case, from the date of contract signing, the buyers possessed the contractual right to direct the disposition of the agricultural products, which satisfies the definition of transfer of control. Even though the products had not been physically delivered, the contractual rights conferred control.

However, as at 31 March 2024, certain buyers had not paid the first installment of the purchase price and were therefore in breach of contract. Following friendly negotiations with the buyers, the Company arranged for the agricultural products to be returned to the cultivators/farmers' households, allowing the farmers to continue completing the sales contracts with the buyers directly. As a result, the 2023 revenue recognition were in accordance with IFRS.

2. REASONS FOR THE DECREASE IN ADMINISTRATIVE EXPENSES

The decrease in administrative expenses for the Period from RMB42.677 million to RMB23.113 million was primarily attributable to the change in the operating model of the Company's real estate marketing subsidiary, Fujian Haobang Real Estate Planning Agency Co., Ltd. (also referred to as the "**Consulting & Marketing Services**"), as well as settlement arrangements with certain customers.

Due to the sluggish property market and sales falling short of expectations, the Marketing Company changed its operating model from maintaining its own in-house sales and operations team to outsourcing the entire operations team to independent third-party contractors. These contractors operate the sales of the relevant property development projects using the Group's brand. Under this outsourcing arrangement, the administrative expenses and operating costs of the sales teams are borne by the contractors. Prior to the outsourcing, the Marketing Company had entered into contracts for multiple property projects. As part of the outsourcing arrangement, the Company and the contractors agreed to transfer the sales and gross profits generated up to the end of 2023 to the contractors (the portion of advances previously made by the Company was returned by the outsourcing team). This facilitated a smooth transition to the outsourced model and directly resulted in a significant reduction in the Group's selling and service costs as well as administrative expenses.

Furthermore, the Company reached settlement plans with certain customers regarding their outstanding fees by transferring property rights to offset amounts payable to the Group. Following these settlements, the Group was able to close the sales offices associated with those properties, further reducing related administrative expenses. The deposits for marketing and promotion contracts of RMB52 million (paid to a property developer in the PRC for exclusive marketing and promotion rights over two real estate development projects) have also been gradually refunded following the settlements.

The above changes in operating model and settlement arrangements explain the substantial decrease in administrative expenses and selling and service costs when comparing the Interim Results with the Annual Results. These measures align with the Company's strategy to strengthen cost control and optimise resource allocation.

The Company believes that the detailed explanations provided in this announcement will enable shareholders and investors to better understand the background and causes of the fluctuations in the financial results. The information set out above is based on the Company's review in response to the Exchange's enquiries. The relevant accounting treatments have been reviewed by the Audit Committee and agreed by the auditor. The Company will continue to comply with its disclosure obligations under the Listing Rules and applicable accounting standards and will update the market on any material developments in a timely manner.

This announcement is for information purposes only and does not constitute any investment advice. Investors should exercise their own judgement and consider the Company's public information before making any investment decision.

By order of the Board
ShiFang Holding Limited
Chen Ye
Co-Chairman of the Board

Hong Kong, 10 July 2026

As at the date of this announcement, the executive Directors are Mr. Chen Zhi and Mr. Chen Ye; the non-executive Director is Ms. Wang Bao Zhu; and the independent non-executive Directors are Mr. Lee Kam Wing Victo, Mr. Huang Shengwei and Mr. Zhu Chenghui.