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SHIFANG HOLDING LIMITED

十方控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1831)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent

Aurora Borealis Investment Services Limited



On 19 December 2017 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company appointed the Placing Agent to place, on a best efforts basis and subject to the fulfillment of the conditions precedent to the Placing, a maximum of 289,666,000 Placing Shares to not less than six independent Placees at a price of HK\$0.145 per Placing Share.

The Placing Price of HK\$0.145 per Placing Share represents: (i) a discount of approximately 19.89% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 18.99% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

Assuming the Placing Shares are fully placed, the maximum number of 289,666,000 Placing Shares represents approximately 20.00% of the issued share capital of the Company of 1,448,330,121 Shares as at the date of this announcement, and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of a maximum of 289,666,000 Placing Shares.

Assuming the Placing Shares are fully placed, the gross and net proceeds from the Placing will be approximately HK\$42 million and HK\$41 million, respectively. The Company intends to use such net proceeds to replenish the working capital of the Group, including the payment of office overheads such as salaries and emoluments and rental expenses.

The Placing is not subject to the Shareholders' approval as the Placing Shares will be issued pursuant to the General Mandate.

Shareholders and potential investors of the Shares should note that the Placing is subject to the fulfillment of the conditions precedent to completion of the Placing and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE PLACING

Date

19 December 2017 (after trading hours)

Parties

- (a) the Company; and
- (b) the Placing Agent

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, each of the Placing Agent and its ultimate beneficial owners is a third party independent of and not connected with the Company and its connected persons.

Placees

It is intended that the Placing Shares will be placed to not less than six Placees who and whose ultimate beneficial owners are third party(ies) independent of the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates. It is expected that none of the Placees nor their associates will become a substantial shareholder of the Company as a result of the Placing.

Number of Placing Shares

The Company appointed the Placing Agent to place, on a best efforts basis and subject to the fulfillment of the conditions precedent to the Placing, a maximum of 289,666,000 Placing Shares. Assuming the Placing Shares are fully placed, the maximum number of 289,666,000 Placing Shares represents approximately 20.00% of the issued share capital of the Company of 1,448,330,121 Shares as at the date of this announcement, and approximately 16.67% of the issued share capital of the Company as enlarged by the issue of a maximum of 289,666,000 Placing Shares. The aggregate nominal value of the maximum number of 289,666,000 Placing Shares is HK\$28,966,600.00.

Placing Price

The Placing Price of HK\$0.145 per Placing Share was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the recent trading price and volume of the Shares and the financial performance of the Company. The Placing Price represents:

- (i) a discount of approximately 19.89% to the closing price of HK\$0.181 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 18.99% to the average closing price of approximately HK\$0.179 per Share as quoted on the Stock Exchange for the last five trading days of the Shares immediately prior to the date of the Placing Agreement.

Placing Commission

Subject to completion of the Placing, the Placing Agent will receive a placing commission of 2.25% on the gross proceeds of the Placing Shares which are successfully placed by the relevant Placing Agent. The placing commission was determined after arm's length negotiation between the Company and the Placing Agent with reference to, amongst other things, the prevailing market rate.

Condition of the Placing

Completion of the Placing is conditional upon the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Placing Shares.

If the above condition is not satisfied on or before 19 January 2018 (or such later date as may be agreed between the Placing Agent and the Company) (the “**Long Stop Date**”), the Placing will lapse and all rights, obligations and liabilities of the Placing Agent and the Company in relation to the Placing shall cease and determine and neither party shall have any claim against the other in respect of the Placing save for any antecedent breach and/or any rights or obligations which may accrue under the Placing Agreement prior to such termination. None of the conditions to the Placing may be waived by any party to the Placing Agreement.

Completion of the Placing

Completion of the Placing shall take place within five business days after the fulfillment of the conditions set out in the Placing Agreement (or such other date as the Company and the Placing Agent may agree).

Rescission of the Placing Agreement

If any of the following events occur at any time prior to 10:00 a.m. on the date of completion of the Placing (the “**Completion Date**”), the Placing Agent may (after such consultation with the Company and/or its advisers as the circumstances shall admit or be necessary), by giving a written notice to the Company, at any time prior to the Completion Date provided that such notice is received prior to 6:00 p.m. on the day immediately preceding the Completion Date, rescind the Placing Agreement without liability to the other party, and the Placing Agreement shall thereupon cease to have effect and none of the parties shall have any rights or claims by reason thereof save for any rights or obligations which may accrue under the Placing Agreement prior to such termination:

- (i) in the reasonable opinion of the Placing Agent there shall have been since the date of the Placing Agreement such a change in national or international financial, political or economic conditions or taxation or exchange controls as would be likely to prejudice materially the consummation of the Placing; or
- (ii) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any matter whatsoever which may adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iii) any material breach of any of the representations and warranties set out in the Placing Agreement comes to the knowledge of the Placing Agent or any event occurs or any matter arises on or after the date of the Placing Agreement and prior to the Completion Date which if it had occurred or arisen before the date of the Placing Agreement would have rendered any of the representations and warranties contained in the Placing Agreement untrue or incorrect in any material respect or there has been a material breach by the Company of any other provision of the Placing Agreement; or
- (iv) any moratorium, suspension or restriction on trading in shares or securities generally on the Stock Exchange due to exceptional financial circumstances; or
- (v) there is any adverse change in the financial position of the Company which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

Ranking of Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Placing Shares.

Application for listing

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Placing Shares.

GENERAL MANDATE

The Placing is not subject to the Shareholders' approval as the Placing Shares will be issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 25 May 2017. Pursuant to the General Mandate, the Company was authorized to issue and allot up to 289,666,024 Shares, representing 20% of the aggregate nominal value of the share capital of the Company in issue on the date of passing such resolution. The General Mandate has not been previously utilized prior to the issue of the Placing Shares. As the Placing Shares are to be issued under the General Mandate, the issue of the Placing Shares is not subject to any Shareholders' approval.

REASONS FOR ENTERING INTO THE PLACING AGREEMENT

The Company is an investment holding company. Its subsidiaries are principally engaged in the businesses of publishing and advertising in the PRC. During the past few years, the Group has been actively exploring cultural, media, integrated developments and other business opportunities in order to facilitate its development.

Assuming the Placing Shares are fully placed, the gross and net proceeds from the Placing will be approximately HK\$42 million and HK\$41 million, respectively. The Company intends to use such net proceeds to replenish the working capital of the Group, including the payment of office overheads such as salaries and emoluments and rental expenses. Assuming the Placing Shares are fully placed, the net placing price will be approximately HK\$0.142 per Placing Share.

The Directors have considered various fund raising methods and believe that under the prevailing market conditions, the Placing represents the most efficient method for the Group to replenish the working capital of the Group without incurring interest cost for the extra funding.

The terms of the Placing Agreement (including the Placing Price and the placing commission) were determined after arm's length negotiations between the Company and the Placing Agent. The Directors (including the independent non-executive Directors) consider that the terms of the Placing Agreement (including the Placing Price and the placing commission) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

UPDATE ON THE USE OF PROCEEDS OF PAST EQUITY FUND RAISINGS

The update on the use of proceeds of past equity fund raisings of the Company as at 30 June 2017 was disclosed on pages 26 to 29 of the interim report of the Company for the six months ended 30 June 2017 (the “**Interim Report**”).

As disclosed in the Company's announcements dated 11 July 2016 and 1 August 2016, the Company entered into a placing agreement in relation to the placing of 241,388,000 Shares (“**July 2016 Placing**”) which was completed on 1 August 2016, raising gross and net proceeds of approximately HK\$99 million and HK\$97 million, respectively. At the time of the July 2016 Placing, it was the intention of the Company to apply the net proceeds to improve the working capital position of the Group in preparation for the prolonged deterioration of the Group's publishing and advertising business, amongst which (a) approximately HK\$22 million was set aside for business development costs for the Group's newspaper advertising business; (b) approximately HK\$9 million was set aside for the Group's professional fees; (c) approximately HK\$9 million was set aside for the repayment of deposits of terminated or completed projects and other receipt in advance; (d) approximately HK\$10 million was intended for the planned budget for business development costs for the Group's new media, movie and other cultural or media related business; and (e) approximately HK\$47 million was intended for general working capital of other nature.

As disclosed in the Interim Report, as at 30 June 2017, (a) the business development budget for the Group's newspaper advertising business was used as to 55% or HK\$12.1 million due to the reduced business expenditure in proportion to the reduced business volume; (b) the professional fees budget was used as to 56% or HK\$5 million but the remaining 44% was required to be set aside for unbilled professional fees; (c) the budget reserved for the repayment of deposits of terminated or completed projects and other receipt in advance was only used as to 11% or HK\$1 million as there were fewer projects terminated than expected. The new media business development budget of HK\$10 million and the HK\$47 million working capital remained unutilized as at 30 June 2017.

As at 30 June 2017, amongst the unutilized proceeds of the July 2016 Placing in the approximate amount of HK\$78.9 million, the Company expected to apply HK\$68.5 million for the settlement of the balance cash consideration payable on completion of the acquisition of Supreme Glory Limited ("**Supreme Glory Acquisition**"), for the reasons and benefits set out in the Company's announcement dated 8 May 2017. Due to the delay in publication of circular and delay in completion of the Supreme Glory Acquisition, the Company has instead utilized HK\$59.52 million out of the proceeds of the July 2016 Placing for the payment of deposit to the People's Government of Yongtai County, Fuzhou City, Fujian Province, the PRC ("**Yongtai Government**") under the strategic cooperation framework agreement entered into between the Group and Yongtai Government dated 15 September 2017 in respect of the Township Project, details of which were disclosed in the Company's announcement dated 15 September 2017.

As disclosed in the Company's voluntary announcement dated 28 September 2017, the Company obtained a HK\$60 million (8% p.a.) loan facility (the "**Loan**") from a financial institution, the drawdown period of which was initially fixed for 60 days but subsequently extended to 26 January 2018. The Company intends to drawdown the Loan to satisfy the balance cash consideration if the Supreme Glory Acquisition proceeds to completion.

As regards the unutilized proceeds of the July 2016 Placing in the approximate amount HK\$19.38 million as at 30 June 2017, (a) HK\$15.38 million was already used in office overheads (including salaries and emoluments and rental expenses) between July and November 2017; and (b) HK\$4 million was set aside for settling unbilled or unpaid professional fees, which is expected to be settled in December 2017.

EQUITY FUND RAISING ACTIVITY DURING THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the twelve months immediately prior to the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the completion of the Placing (assuming the Placing Shares were placed in full):

	As at the date of this announcement		Immediately upon completion of the Placing	
	<i>No. of Shares</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
Mr. Chen Zhi (<i>Note 1</i>)	166,394,696	11.49	166,394,696	9.57
Mr. Yu Shi Quan	892,196	0.06	892,196	0.05
Mr. Shi Jianxiang	186,850,000	12.90	186,850,000	10.75
Public shareholders	1,094,193,229	75.55	1,094,193,229	62.96
Placees	—	—	289,666,000	16.67
Total	<u>1,448,330,121</u>	<u>100.00%</u>	<u>1,737,996,121</u>	<u>100.00%</u>

Notes:

1. This represents the aggregate of (i) 7,032,655 Shares beneficially owned by Mr. Chen Zhi, an executive Director of the Company, and (ii) 159,362,041 Shares owned by TopBig International Development Limited which is wholly owned by Mr. Chen Zhi.

Shareholders and potential investors of the Shares should note that the Placing is subject to the fulfillment of the conditions precedent to completion of the Placing and may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

The following terms have the following meanings in this announcement unless the context otherwise requires:

“associate(s)”	having the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	ShiFang Holding Limited, a company incorporated in Cayman Islands with limited liability and whose Shares 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
“Directors”	directors of the Company
“General Mandate”	the general mandate which was granted to the Directors pursuant to an ordinary resolution passed at the Company’s annual general meeting on 25 May 2017 to issue and allot up to 289,666,024 Shares, representing 20% of the aggregate nominal value of the share capital of the Company in issue on the date of passing such resolution
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	any person(s) or entity(ies) procured by the Placing Agent or any of its sub-placing agent(s) to subscribe for any of the Placing Shares under the Placing
“Placing”	the best-effort placing of up to 289,666,000 Placing Shares on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Aurora Borealis Investment Services Limited, a licensed corporation to carry on business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the agreement entered into between the Placing Agent and the Company dated 19 December 2017 in relation to Placing
“Placing Price”	HK\$0.145 per Placing Share
“Placing Shares”	a maximum of 289,666,000 Shares to be placed under the Placing
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial shareholder(s)” having the meaning ascribed thereto under the Listing Rules

“%” per cent

By order of the Board
ShiFang Holding Limited
Siuming Tsui

Executive Director & Chief Executive Officer

Hong Kong, 19 December 2017

As at the date of this announcement, the executive Directors are Mr. Siuming Tsui (Chief Executive Officer), Mr. Chen Zhi 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.