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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)

**SUBSCRIPTION OF CONVERTIBLE BONDS
UNDER THE SPECIFIC MANDATE
CONSTITUTING A CONNECTED TRANSACTION**

THE CB SUBSCRIPTION

On 24 January 2019 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$250,000,000.00.

Based on the initial Conversion Price of HK\$0.24 per Conversion New Share, an aggregate of 1,041,666,666 Conversion New Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 182.1% of the existing issued share capital of the Company (taking into effect of the successful implementation of the Capital Reorganisation); and (b) approximately 64.6% of the issued share capital of the Company as enlarged by the issue of 1,041,666,666 Conversion New Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds save for the Capital Reorganisation.

The initial Conversion Price of HK\$0.24 per Conversion New Share represents: (i) a premium of approximately 9.09% over the closing price of HK\$0.220 per New Share, based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the date of signing of the CB Subscription Agreement; and (ii) a premium of approximately 4.53% over the average closing price of HK\$0.2296 per New Share, based on the average closing price of HK\$0.0574 per Existing Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the CB Subscription Agreement.

The gross proceeds and net proceeds (after deducting costs and expenses incidental to the CB Subscription) to be raised from the CB Subscription are expected to be approximately HK\$250 million and HK\$245 million, respectively. The net issue price per Conversion New Share is approximately HK\$0.235 (equivalent to approximately HK\$0.059 per Existing Share prior to the Capital Reorganisation). The Board intends to apply the net proceeds as to: (a) approximately HK\$105 million for repaying the principal and accrued interest on the Subscriber Loan Facility; (b) approximately HK\$107.5 million for early redemption of the Promissory Notes and the accrued interest thereon; and (c) approximately HK\$32.5 million for the Group's general expenses such as salaries, rental expenses and professional fees.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the entire issued share capital of the Subscriber is legally and beneficially owned by Mr. Chen, an executive Director and a Shareholder holding, through himself and the Subscriber, an aggregate of 166,394,696 Existing Shares representing approximately 7.27% of the total issued share capital of the Company. Accordingly, the entering into of the CB Subscription Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Conversion New Shares under the CB Subscription will be issued under the Specific Mandate, which is subject to Independent Shareholders' approval at the EGM.

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate. In accordance with the Listing Rules, the Subscriber and its associates (including Mr. Chen) will be required to abstain from voting on the resolution(s) in respect of the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan, has been established to advise the Independent Shareholders regarding the terms of the CB Subscription Agreement. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other matters, (i) further information on the CB Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the CB Subscription Agreement; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the CB Subscription Agreement; and (iv) the notice of the EGM, is expected to be dispatched to the Shareholders on or before 15 February 2019.

WARNING

SHAREHOLDERS AND/OR POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT COMPLETION OF THE CB SUBSCRIPTION AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF CERTAIN CONDITIONS PRECEDENT TO THE CB SUBSCRIPTION AGREEMENT. ACCORDINGLY, THE CB SUBSCRIPTION MAY OR MAY NOT PROCEED. SHAREHOLDERS AND/OR POTENTIAL INVESTORS OF THE COMPANY SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

BACKGROUND

As disclosed in the Capital Reorganisation Announcement dated 18 January 2019, the Company proposed to, amongst other things: (i) change its domicile from the Cayman Islands to Bermuda; (ii) adopt the New Memorandum of Continuance and the Bye-laws to replace its existing memorandum and articles of association of the Company to comply with the laws of Bermuda; (iii) cancel the entire amount standing to the credit of its share premium account and transfer the credits arising from such cancellation to an account designated as its contributed surplus account before the Change of Domicile becoming effective; (iv) have four issued and unissued Existing Shares of HK\$0.10 each to be consolidated into one Consolidated Share of HK\$0.40 each; and (v) cancel its paid-up capital to the extent of HK\$0.39 on each Consolidated Share such that the nominal value of each New Share is reduced to HK\$0.01.

THE CB SUBSCRIPTION

On 24 January 2019 (after trading hours), the Company entered into the CB Subscription Agreement with the Subscriber pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Bonds in the aggregate principal amount of HK\$250,000,000.00.

Principal Terms of the Convertible Bonds

Issuer	:	The Company
Total principal amount	:	HK\$250,000,000.00
Interest	:	3% per annum
Maturity Date	:	The day falling on the third anniversary of the date of issue of the Convertible Bonds (or if such date is not a Business Day, the next Business Day).
Conversion Period	:	The period commencing on the date of issue of the Convertible Bonds and ending on the Maturity Date.

Conversion Rights : Holders of the Convertible Bonds shall have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion New Shares at the initial Conversion Price of HK\$0.24 per Conversion New Share at any time during the Conversion Period, provided always that the holder shall not convert the Convertible Bonds to an extent which would either (a) reduce the public float of the Company to less than 25% (or the relevant percentage as prescribed by the Listing Rules) of the issued Shares or (b) result in any change of control (as defined in the Takeovers Code) of the Company or otherwise trigger any mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds who exercises the conversion rights (or its concert party) unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with (collectively, the “**Conversion Restrictions**”).

Conversion New Shares : Based on the initial Conversion Price of HK\$0.24 per Conversion New Share, an aggregate of 1,041,666,666 Conversion New Shares will be allotted and issued by the Company upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing: (a) approximately 182.1% of the existing issued share capital of the Company (taking into effect of the successful implementation of the Capital Reorganisation); and (b) approximately 64.6% of the issued share capital of the Company as enlarged by the issue of 1,041,666,666 Conversion New Shares, assuming there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds save for the Capital Reorganisation. The aggregate nominal value of the maximum 1,041,666,666 Conversion New Shares is HK\$10,416,666.66.

Conversion Price : The initial Conversion Price of HK\$0.24 per Conversion New Share represents: (i) a premium of approximately 9.09% over the closing price of HK\$0.220 per New Share, based on the closing price of HK\$0.055 per Existing Share as quoted on the Stock Exchange on the date of signing of the CB Subscription Agreement; and (ii) a premium of approximately 4.53% over the average closing price of HK\$0.2296 per New Share, based on the average closing price of HK\$0.0574 per Existing Share as quoted on the Stock Exchange for the five trading days immediately prior to the date of signing of the CB Subscription Agreement. The Conversion Price is subject to adjustments upon occurrence of certain “Adjustment Events” as described below.

Adjustments Events : The Conversion Price will be subject to adjustments upon the occurrence of the following events (the “**Adjustment Events**”):

- (i) an alteration of the nominal amount of the Shares by reason of consolidation, subdivision, reclassification or otherwise;
- (ii) an issue of Shares credited as fully paid to Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve), other than Shares paid up out of profits or reserves and issued in lieu (in whole or in part) of a cash dividend, being a dividend which the Shareholders concerned would or could otherwise have received and which does not constitute a capital distribution (as such term is defined in the conditions of the Convertible Bonds);

- (iii) a capital distribution (as such term is defined in the conditions of the Convertible Bonds) to Shareholders being made by the Company;
- (iv) an issue of Shares to all or substantially all Shareholders as a class by way of rights, or issue or grant to all or substantially all Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 80% of the market price of the Shares;
- (v) an issue of Shares being made wholly for cash at a price less than 80% of the market price of the Shares;
- (vi) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for Shares, at a consideration per Share which is less than 80% of the market price of the Shares, or the conversion, exchange or subscription rights of any such securities (other than in accordance with the terms applicable thereto) are altered or modified so that the consideration per Share is less than 80% of the market price of the Shares;
- (vii) an issue of Shares for the acquisition of asset at a total effective consideration per Share which is less than 80% of the market price of the Shares; and
- (viii) an issue of any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for new Shares for the acquisition of asset at a total effective consideration initially receivable for such securities which is less than 80% of the market price of the Shares.

The adjustment mechanisms above are requested by the Subscriber to safeguard its legitimate economic interest by way of anti-dilutive provisions customarily found in terms of convertible securities. The 80% benchmark comparison with market price as mentioned in paragraphs (iv) to (viii) above is requested by the Company to allow for the flexibility of the Company to launch equity or convertible fund-raising or to issue consideration shares with a modest discount to market price, especially under general mandate permissible under the Listing Rules, by way of concession of the Subscriber. The Company considers that the 80% benchmark is fair and reasonable and was reached following arms' length negotiation between the Company and the Subscriber to strike a careful balance between the Subscriber's legitimate interest and the Company's flexibility.

- Events of Default** : If any of the following events ("**Events of Default**") occurs, a holder of the Convertible Bonds shall be entitled to give a notice in writing to the Company to require the Company to forthwith redeem the Convertible Bonds outstanding and held by such holder at the principal amount then outstanding together with interest of 3% per annum calculated from the date of issue of the bond up to and including the date of repayment:
- (i) there is a failure by the Company to pay the principal of the Convertible Bonds or deliver the Conversion New Shares pursuant to the conditions of the Convertible Bonds; or
 - (ii) the Company does not perform or comply with any one or more of its other obligations under the Convertible Bonds which default is incapable of remedy, or is not remedied within 10 days after notice requiring the same to be remedied is served by a bondholder on the Company; or

- (iii) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against the whole or a material part of the property, assets or revenues of the Company or any of its subsidiaries; or
- (iv) an encumbrancer takes possession or a receiver, manager or other similar officer is appointed of the whole or a material part of the assets or undertaking of the Company or any of its subsidiaries; or
- (v) the Company or any of its significant subsidiaries is insolvent or bankrupt or unable to pay its debts as and when they fall due or proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company or such significant subsidiary; or
- (vi) an order is made or an effective resolution passed for winding-up or dissolution of the Company or any of its significant subsidiaries, or the Company or any of its significant subsidiaries ceases or threatens to cease to carry on all or a material part of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or consolidation; or
- (vii) proceedings are initiated against the Company or any of its significant subsidiaries under any applicable bankruptcy or insolvency law; or

- (viii) if the trading of the Shares on the Exchange is halted or suspended for more than ten Business Days or any event occurs which may lead to the withdrawal of listing status of the Company; or
- (ix) if it shall become unlawful for the Company to perform all or any of its obligations under the Convertible Bonds or the Convertible Bonds shall for any reason cease to be in full force or effect or be declared void or illegal by any court of competent jurisdiction; or
- (x) if there are any litigation, arbitration, prosecution or other legal proceedings outstanding against the Company or any of its subsidiaries, or any litigation, arbitration, prosecution or other legal proceedings are threatened against the Company or its subsidiaries, which may have a significant financial impact on the Group or may have a material adverse effect on the operations or financial position of the Group; or
- (xi) any event of default occurs under the terms of other obligations or indebtedness (including contingent indebtedness under guarantees or indemnities) of the Company or its subsidiaries, save and except (a) indebtedness or liabilities incurred in the Group's ordinary and usual course of business whose existence or quantum is genuinely contested by the Company or its subsidiaries, or (b) indebtedness which is non-recourse or not recoverable by the alleged creditor from the general assets of the Company or its subsidiaries, or (c) the amount of alleged default is less than 5% of the net tangible assets of the Group; or
- (xii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to above.

- Transferability** : The Convertible Bonds and the Conversion New Shares are freely transferable in whole amounts or multiples of units of principal amount of HK\$1,000,000, provided that no Convertible Bonds may be transferred to connected persons of the Company without the prior written consent of the Company.
- Redemption** : Subject to the provisions of Events of Default, the Convertible Bonds may not be redeemed by the holder before the Maturity Date.
- The Convertible Bonds may be redeemed in whole or part by the Company before the Maturity Date at the redemption price which is equivalent to the principal amount of the redeemed Convertible Bonds plus interest of 3% per annum calculated from the date of issue of the bond up to and including the date of redemption.
- Voting** : Prior to conversion, the Convertible Bonds shall not confer on the holders the right to vote at any general meetings of the members of the Company.
- Listing** : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.
- Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion New Shares that may be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.
- Ranking of the Conversion New Shares** : The Conversion New Shares will, when issued and allotted, rank *pari passu* in all respects among themselves and with all other fully paid New Shares in issue.

Conditions Precedent to the CB Subscription

Completion of the CB Subscription Agreement is conditional upon:

- (1) the Shareholders having approved the Capital Reorganisation at the EGM or a separate general meeting of the Shareholders to be held by the Company;
- (2) the Capital Reorganisation having been completed;
- (3) the Company having obtained the approval from the Stock Exchange for the listing of, and permission to deal in, the Conversion New Shares upon conversion of the Convertible Bonds, and such approval not having been revoked or cancelled prior to completion of the CB Subscription;
- (4) the obtaining by the Company of the approval of the Independent Shareholders at the EGM in respect of the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate; and
- (5) the compliance of any other requirements imposed by the Stock Exchange and/or the SFC in relation to the CB Subscription and the allotment and issue of the Conversion New Shares, whether under the Listing Rules, the Takeovers Code or otherwise.

None of the Conditions above can be waived by any party in any event. The long stop date for the fulfillment of the Conditions is 30 April 2019 (the “**Long Stop Date**”). If the Conditions are not fulfilled at or before 5:00 p.m. on the Long Stop Date, then unless the Company and the Subscriber mutually agree to further extend the Long Stop Date, the CB Subscription Agreement shall lapse and become null and void and the parties to the CB Subscription Agreement shall be released from all obligations thereunder forthwith, save for liabilities for any antecedent breaches thereof.

Completion of the CB Subscription shall take place within ten Business Days after the day on which the last condition precedent to the CB Subscription Agreement is fulfilled (or such other date as the Company and the Subscriber may agree in writing).

Under the terms of the CB Subscription Agreement, the Subscriber has the right to nominate either itself, Mr. Chen or any corporate entity wholly-owned by the Subscriber or Mr. Chen to take up the Convertible Bonds on completion of the CB Subscription.

Information relating to the Subscriber and Mr. Chen

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the entire issued share capital of the Subscriber is legally and beneficially owned by Mr. Chen, an executive Director and a Shareholder holding, through himself and the Subscriber, an aggregate of 166,394,696 Existing Shares representing approximately 7.27% of the total issued share capital of the Company. The Subscriber is principally engaged in investment holding. Mr. Chen is the sole director of the Subscriber.

Mr. Chen, aged 53, is an executive Director and a Shareholder. He is a qualified accountant as conferred by the Ministry of Finance of the PRC. Mr. Chen was a cadre of the Fuzhou Minhou Tax Bureau from 1982 to 1989 (during which he was granted leave from 1985 to 1988 to pursue his studies at Fujian Radio and Television University), deputy section chief of the Fuzhou Economic and Technology Development Area Tax Bureau from 1989 to 1993, and subsequently the section chief from 1993 to 2002. He joined the Group in 2003 and pioneered the distinctive business model of cooperating with newspaper partners to provide integrated print media services to advertisers, undertook the main decision-making role in the management of the Group's overall operations and oversaw the strategic development of the Group. He was appointed as the chairman, chief executive officer and an executive Director of the Company on 9 December 2009, resigned as the chief executive officer of the Company on 29 January 2016 and resigned as the chairman of the Board on 25 February 2016. Mr. Chen has accumulated more than ten years of relevant experience from developing the business of the Group and possesses a deep understanding of the PRC printed media and advertising industries. Mr. Chen graduated from Fujian Radio and Television University in 1988 with a diploma in financial economics. Mr. Chen is the brother of Ms. Chen Min, a non-executive Director.

Specific Mandate

The Conversion New Shares under the CB Subscription will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the EGM.

REASONS FOR AND BENEFITS OF THE CB SUBSCRIPTION AND USE OF PROCEEDS

The Group is principally engaged in the businesses of publishing and advertising in the PRC. The Group has been focusing on restructuring its publishing and advertising businesses by consolidating with cultural and film media businesses in the PRC. In recent years, the Group acquired the media, resort and eco-tourism integrated development projects of Beijing Studio City (through the acquisition of Supreme Glory Limited) and Yongtai Kungfu Distinctive Town with the view to broadening the Group's income stream in the long run and reducing its reliance on the downtrend printed media business.

As disclosed in the interim report of the Company for the six months ended 30 June 2018 (the **"2018 Interim Report"**), the Group recorded net current liabilities of approximately RMB23.09 million (equivalent to approximately HK\$27.35 million) as at 30 June 2018. As at 30 June 2018, the current assets of the Group amounted to approximately RMB99.52 million (equivalent to approximately HK\$117.91 million), of which the most significant items being: (a) cash and cash equivalents of approximately RMB46.80 million (equivalent to approximately HK\$55.45 million), principally comprising of the registered and paid up capital required to be maintained in the Group's PRC subsidiaries required for their operations and development and cannot be remitted outside China for the Group's loan repayment and administrative overheads generally, due to foreign exchange restrictions in the PRC; and (b) properties held for sale of approximately RMB34.52 million (equivalent to approximately HK\$40.90 million) which were acquired in exchange of the provision of advertising services to real estate developers in the PRC in or before 2015. Due to the slow-moving property market of second-tier cities in the PRC (including Baotou, Xian, Fuzhou and Kunming where these properties were located), the Group intends to lease the properties out to third parties to wait for better market opportunity to sell these properties at higher price. Currently, no operating leases to rent out the properties have been entered into or commenced. The Group will reclassify such properties to investment property upon the commencement of operating leases to rent out such properties in accordance with the relevant provisions of International Financial Reporting Standards.

As at 30 June 2018, the current liabilities of the Group amounted to approximately RMB122.61 million (equivalent to approximately HK\$145.27 million), of which the most significant items being: (a) the amount due to the Subscriber of approximately RMB50.16 million (equivalent to approximately HK\$59.44 million) under the Subscriber Loan Facility as disclosed in the Company's announcement dated 8 May 2018; (b) other payables and accrued expenses of approximately RMB39.06 million (equivalent to approximately HK\$46.28 million); and (c) current income tax liabilities of approximately RMB20.46 million (equivalent to approximately HK\$24.25 million). Subsequent to 30 June 2018, in order to meet the debts and liabilities fallen due including the other payables and accrued expenses, the Subscriber Loan Facility was fully drawn down by the Company. The outstanding principal and interest under the Subscriber Loan Facility is repayable in or around February 2019.

Apart from the current liabilities, the Group also had outstanding Promissory Notes in the principal amount of HK\$100 million carrying interests at 5.5% per annum which are repayable in May 2021. Subject to funding availability, these Promissory Notes may be early redeemed by the Company at 102% of the principal amount, thereby saving interest expenses of HK\$5.5 million per year assuming full redemption by, say, May 2019.

In view of the net current liabilities of the Group recorded as at 30 June 2018, the loss-making situation of the Group since 2012 due to the downturn of traditional printed media business, the debts and liabilities which shall become due imminently (particularly, the Subscriber Loan Facility) and the interest expenses on the outstanding Promissory Notes, the Group has an imminent need to arrange a sizeable fund raising exercise in order to strengthen the financial position of the Group to prepare for its future development.

The Directors are of the view that the CB Subscription offers a good opportunity for the Group (i) to raise a considerable amount of fund for a longer period to strengthen the financial position of the Group; (ii) to ease the liquidity pressure of the Group caused by the imminent due date of the Subscriber Loan Facility in February 2019 and the interest expenses on the outstanding Promissory Notes; (iii) to enable the Group to repay its other debts when they fall due; and (iv) to generally replenish the Group's working capital to enable the Group to identify suitable investment or growth opportunities with the view to generate positive cash flow and strengthen its financial position in the long run.

The Board has considered various fund raising methods including long term bank borrowings, placement of Shares to independent third parties, rights issue, open offer and the CB Subscription. In respect of long-term bank borrowings of meaningful loan size, the Company was given to understand that commercial banks generally requested for the provision of real estate properties as collateral to fortify the loan, which the Company was unable to give. As regards equity fund raising exercises (such as placement of Shares to independent third parties, rights issue and/or open offer), the Company has approached several securities brokerage firms about the possibility and feasibility of acting as placing agent or underwriter of the Company, and was given to understand that the securities brokerage firms generally requested a placing/underwriting commission ranging from 3.0% to 5.0% based on the fund raising size, and a significant discount on the placing/subscription price so as to increase the attractiveness of the equity fund raising exercise. In addition, any placing would only be conducted on best-effort basis, rendering the outcome and the exact amount of proceeds to be raised from the placing being uncertain and subject to market condition.

The terms of the CB Subscription Agreement and the Convertible Bonds (including the Conversion Price and the interest rate) were determined based on arm's length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Existing Shares as quoted on the Stock Exchange and market interest rates of unsecured loans. Notwithstanding the potential dilution effect which may arise from the conversion of the Convertible Bonds, having considered that (i) the CB Subscription offers a good opportunity for the Company to raise a significant amount of additional funding to improve the financial position of the Group; and (ii) the terms of the CB Subscription Agreement and the Convertible Bonds (including the Conversion Price and the interest rate) are fair and reasonable, the Directors (other than the independent non-executive Directors who will express their view after considering the advice from the Independent Financial Adviser, and except Mr. Chen and Ms. Chen Min who abstained from voting due to their material interest in the CB Subscription) are of the view that the CB Subscription is fair and reasonable and on normal commercial terms and the entering into of the CB Subscription Agreement is in the interests of the Company and its Shareholders (including the Independent Shareholders) as a whole.

Mr. Chen (an executive Director) and Ms. Chen Min (a non-executive Director and sister of Mr. Chen) abstained from voting on the Board level regarding the CB Subscription. Save for Mr. Chen and Ms. Chen Min, no other Director regarded himself to have a material interest in the CB Subscription which requires him to disclose his interest and/or to abstain from voting on the Board level regarding the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate.

The gross proceeds and net proceeds (after deducting costs and expenses incidental to the CB Subscription) to be raised from the CB Subscription are expected to be approximately HK\$250 million and HK\$245 million, respectively. The net issue price per Conversion New Share is approximately HK\$0.235 (equivalent to approximately HK\$0.059 per Existing Share prior to the Capital Reorganisation). The Board intends to apply the net proceeds as to: (a) approximately HK\$105 million for repaying the principal and accrued interest on the Subscriber Loan Facility; (b) approximately HK\$107.5 million for early redemption of the Promissory Notes and the accrued interest thereon; and (c) approximately HK\$32.5 million for the Group's general expenses such as salaries, rental expenses and professional fees.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST TWELVE MONTHS

Save as disclosed below, the Company had not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
19 December 2017	Placing of 289,666,000 Existing Shares at HK\$0.145 per Existing Share, which was completed on 25 January 2018	Approximately HK\$41 million	For replenishing the working capital of the Group, including the payment of office overheads such as salaries and emoluments and rental expenses	Fully utilized as intended as at the date of this announcement

SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structures of the Company (i) as at the date of this announcement; and (ii) immediately after the issue of the Conversion New Shares upon full exercise of conversion rights attaching to the Convertible Bonds, assuming that the Capital Reorganisation is completed and that there is no other change in the issued share capital of the Company between the date of this announcement and the full conversion of the Convertible Bonds by the Subscriber:

	As at the date of this announcement		Immediately after the issue of the Conversion New Shares upon full exercise of conversion rights attaching to the Convertible Bonds (assuming completion of the Capital Reorganisation) (Note 6)	
	<i>No. of Existing Shares</i>	<i>%</i>	<i>No. of New Shares (Note 7)</i>	<i>%</i>
The Subscriber and its associates (Note 1)	166,394,696	7.27	1,083,265,340	67.13
Mr. Yu Shi Quan (Note 2)	892,196	0.04	223,049	0.01
Shi Jianxiang	186,850,000	8.17	46,712,500	2.89
Happy Day Development Limited (Note 3)	157,340,018	6.88	39,335,004	2.44
Rich Land Limited (Note 4)	132,084,068	5.77	33,021,017	2.05
Chung Tai Limited (Note 5)	130,807,645	5.72	32,701,911	2.03
Other public Shareholders	1,513,627,498	66.16	378,406,875	23.45
Total	2,287,996,121	100.00	1,613,665,696	100.00

Notes:

1. The Subscriber is beneficially and wholly-owned by Mr. Chen, who is an executive Director and a Shareholder. As at the date of this announcement, the Subscriber directly holds 159,362,041 Existing Shares and Mr. Chen directly holds 7,032,655 Existing Shares.
2. Mr. Yu Shi Quan is an executive Director.
3. Happy Day Development Limited is a controlled corporation wholly-owned by Chen Rong.
4. Rich Land Limited is a controlled corporation wholly-owned by Wang Fucai.
5. Chung Tai Limited is a controlled corporation wholly-owned by Chen Rui.
6. This is for illustration purposes only as it is restricted that the Convertible Bonds shall not be converted to an extent which would either (a) reduce the public float of the Company to less than 25% (or the relevant percentage as prescribed by the Listing Rules) of the issued Shares; or (b) result in any change of control (as defined in the Takeovers Code) of the Company or otherwise trigger any mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds who exercises the conversion rights (or its concert party) unless the regulatory requirements under the Takeovers Code and the Listing Rules are fully complied with.
7. The Capital Reorganisation involves a proposal of four-for-one share consolidation and a proposed capital reduction such that the par value of the New Shares is reduced to HK\$0.01 per New Share.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the entire issued share capital of the Subscriber is legally and beneficially owned by Mr. Chen, an executive Director and a Shareholder holding, through himself and the Subscriber, an aggregate of 166,394,696 Existing Shares representing approximately 7.27% of the total issued share capital of the Company. Accordingly, the entering into of the CB Subscription Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the announcement, reporting and Independent Shareholders' approval requirements pursuant to the Listing Rules.

The Conversion New Shares under the CB Subscription will be issued under the Specific Mandate, which is subject to Independent Shareholders' approval at the EGM.

EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate. In accordance with the Listing Rules, the Subscriber and its associates (including Mr. Chen) will be required to abstain from voting on the resolution(s) in respect of the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan, has been established to advise the Independent Shareholders regarding the terms of the CB Subscription Agreement. An Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other matters, (i) further information on the CB Subscription Agreement and the transactions contemplated thereunder, and the Specific Mandate; (ii) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the terms of the CB Subscription Agreement; (iii) a letter from the Independent Financial Adviser containing their advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the CB Subscription Agreement; and (iv) the notice of the EGM, is expected to be dispatched to the Shareholders on or before 15 February 2019.

WARNING

SHAREHOLDERS AND/OR POTENTIAL INVESTORS OF THE COMPANY SHOULD NOTE THAT COMPLETION OF THE CB SUBSCRIPTION AGREEMENT IS CONDITIONAL UPON THE SATISFACTION OF CERTAIN CONDITIONS PRECEDENT TO THE CB SUBSCRIPTION AGREEMENT. ACCORDINGLY, THE CB SUBSCRIPTION MAY OR MAY NOT PROCEED. SHAREHOLDERS AND/OR POTENTIAL INVESTORS OF THE COMPANY SHOULD THEREFORE EXERCISE CAUTION WHEN DEALING IN THE SECURITIES OF THE COMPANY. PERSONS WHO ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE SHOULD CONSULT THEIR PROFESSIONAL ADVISERS.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the meanings ascribed to them below:

“associate(s)”	having the meaning ascribed thereto under the Listing Rules or the Takeovers Code, where the context requires
“Board”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or a day on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks in Hong Kong are generally open for retail banking business
“Bye-laws”	a new set of bye-laws of the Company proposed to be adopted by the Company and to take effect upon the continuation of the Company in Bermuda
“Cancellation of Share Premium Account”	the proposed cancellation of the entire amount standing to the credit of the share premium account of the Company
“Capital Reduction”	the proposed reduction of the issued share capital of the Company through a cancellation of the paid-up capital of the Company to the extent of HK\$0.39 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.40 to HK\$0.01

“Capital Reorganisation”	having the meaning as defined in the Capital Reorganisation Announcement, comprising the Share Consolidation, the Capital Reduction and the Share Subdivision
“Capital Reorganisation Announcement”	the Company’s announcement dated 18 January 2019 in relation to, amongst other things, the Change of Domicile, the adoption of New Memorandum of Continuance and Bye-laws, the Cancellation of Share Premium Account and the Capital Reorganisation
“CB Subscription”	the subscription of the Convertible Bonds by the Subscriber on the terms and subject to the conditions of the CB Subscription Agreement
“CB Subscription Agreement”	the convertible bond subscription agreement entered into between the Company and the Subscriber dated 24 January 2019 in relation to the subscription by the Subscriber of the Convertible Bonds in the principal amount of HK\$250,000,000
“Change of Domicile”	the proposed change of domicile of the Company from the Cayman Islands to Bermuda
“Company”	ShiFang Holding Limited (十方控股有限公司), a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1831)
“Conditions”	the conditions precedent to completion of the CB Subscription as contained in the CB Subscription Agreement and summarized in the sub-paragraph headed “Conditions Precedent to the CB Subscription” under the paragraph headed “THE CB SUBSCRIPTION” in this announcement

“connected person(s)”	having the meaning ascribed thereto under the Listing Rules
“Consolidated Share(s)”	ordinary share(s) of HK\$0.40 each in the share capital of the Company immediately after the Share Consolidation becoming effective but before the Capital Reduction and the Share Subdivision becoming effective
“Conversion Period”	the period commencing on the date of issue of the Convertible Bonds and ending on the Maturity Date
“Conversion Price”	HK\$0.24 per Conversion New Shares, subject to adjustments and the terms and conditions of the Convertible Bonds
“Conversion New Share(s)”	the New Share(s) to be allotted and issued by the Company upon the exercise by the holders of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the convertible bonds proposed to be issued by the Company in the aggregate principal amount of HK\$250,000,000 under the CB Subscription Agreement
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to consider and, if thought fit, approve the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate
“Existing Share(s)”	ordinary share(s) of HK\$0.10 each in the existing share capital of the Company prior to the Capital Reorganisation

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company, comprising all independent non-executive Directors, namely, Mr. Zhou Chang Ren, Mr. Wong Heung Ming, Henry and Mr. Cai Jian Quan, which was established by the Board for the purpose of advising the Independent Shareholders on the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the CB Subscription Agreement and the transactions contemplated thereunder (including the CB Subscription) and the grant of the Specific Mandate
“Independent Shareholders”	Shareholders other than (i) the Subscriber, Mr. Chen and their associates; and (ii) any Shareholders who have a material interest (within the meaning of the Listing Rules) in the CB Subscription and the Specific Mandate and are required by the Listing Rules to abstain from voting on the relevant resolution(s) at the EGM

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the day falling on the third anniversary of the date of issue of the Convertible Bonds or if such date is not a Business Day, the next Business Day
“Mr. Chen”	Mr. Chen Zhi, a Shareholder and an executive Director, and the sole legal and beneficial owner and the sole director of the Subscriber
“New Memorandum of Continuance”	a new memorandum of continuance of the Company proposed to be adopted by the Company and to take effect upon continuation of the Company in Bermuda
“New Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company after the Capital Reorganisation
“PRC”	the People’s Republic of China
“Promissory Notes”	the three-years, 5.5% per annum promissory notes issued by the Company in the principal amount of HK\$100 million as partial consideration for the acquisition of Supreme Glory Limited on 8 May 2018 which shall become repayable in May 2021
“Share Consolidation”	the proposed consolidation of every four issued and unissued Existing Shares into one Consolidated Share
“Share Subdivision”	the proposed sub-division of each of the authorised but unissued Consolidated Shares of HK\$0.40 each into forty New Shares of HK\$0.01 each

“Shareholders”	holder(s) of the Share(s)
“Share(s)”	the Existing Share(s) or the New Share(s), as the context may require
“Specific Mandate”	the specific mandate proposed to be obtained from the Independent Shareholders at the EGM to allot and issue the Conversion New Shares upon conversion of the Convertible Bonds to be issued under the CB Subscription Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	TopBig International Development Limited, a company incorporated in the British Virgin Islands with limited liability whose entire issued share capital is legally and beneficially owned by Mr. Chen
“Subscriber Loan Facility”	the nine-months, 5% per annum loan facility granted by the Subscriber to the Company in the maximum principal amount of HK\$100 million as disclosed in the Company’s announcement dated 8 May 2018
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purposes of illustration only, the amounts denominated in RMB in this announcement were translated into HK\$ at the rates of HK\$1.000 = RMB0.844 (for financial figures as at 30 June 2018) and HK\$1.000 = RMB0.863 (for all other figures).

By order of the Board
ShiFang Holding Limited
Siuming Tsui
Executive Director and Chief Executive Officer

Hong Kong, 24 January 2019

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.