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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)

BUSINESS UPDATE – NOTICE OF RESCISSION AND POSSIBLE LITIGATION TO SET ASIDE THE ACQUISITION

Reference is made to the announcements (the “**Previous Announcements**”) of ShiFang Holding Limited (the “**Company**”, which together with its subsidiaries is collectively referred to as the “**Group**”) dated 4 August 2022, 15 September 2022, 5 October 2022, 14 October 2022, 15 November 2022 and 27 February 2023 in relation to, among other things, the Acquisition constituting a discloseable transaction of the Company. Unless the context otherwise requires, capitalised terms in this announcement shall have the same meanings as defined in the Previous Announcements.

Subsequent to the Completion of the Acquisition on 14 October 2022, it was discovered by the Company that the Vendor has committed material breaches of the terms and conditions of the Acquisition Agreement including, among other things, the representations, warranties and undertakings given to the Company (as purchaser) prior to the Completion of the Acquisition. It is therefore the position of the Group that it should be entitled to rescind the Acquisition. For the reasons above, the Board resolved to issue a notice of rescission to the Vendor (the “**Notice of Rescission**”) to treat the Acquisition as rescinded (the “**Rescission**”) due to the material breaches of the Vendor and demand the immediate return of 132,010,713 Shares issued by the Company in consideration for the Acquisition (the “**Consideration Shares**”), failing which the Company reserves the rights to commence legal action in a Court having jurisdiction without further notice. The Directors (including the independent non-executive Directors) consider that it is fair and reasonable and in the best interest of the Company and its shareholders as a whole to have the Acquisition rescinded in the aforementioned circumstances. No Director regarded himself/herself to have a material interest in the Rescission which requires him/her to disclose his/her interest and/or to abstain from voting on the Board level regarding the Rescission.

As disclosed in Note 10 to the consolidated financial statements as contained in the Company's Annual Report 2022, the equity interests acquired under the Acquisition, comprising 35% equity interest in Target Holdco A (as an associate in the Group's accounts), 20% indirect equity interest in PRC Operating Company (held via Target Holdco B) and 3% direct equity interest in PRC Operating Company (as a joint venture in the Group's accounts), were booked as investments accounted for using the equity method in the Group's consolidated financial statements, with a carrying value of RMB nil as at 31 December 2022 as recorded in the Group's consolidated balance sheet, and resulted in the Group sharing the loss of RMB75,034,000 as recognised in the Group's income statement for the year ended 31 December 2022. Subject to the return of the Consideration Shares as demanded under the Notice of Rescission and an assessment on damages, the Rescission is not expected to have any other material adverse impact to the operations, assets and liabilities of the Group.

Further announcement(s) will be made if and when there is any material development on the Rescission and the possible legal action(s).

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

Hong Kong, 23 August 2023

As at the date of this announcement, the executive Directors are Mr. Chen Zhi (Chairman & Chief Executive Officer) and Mr. Chen Ye; the non-executive Director is Mr. Wang Bao Zhu; and the independent non-executive Directors are Mr. Chai Chung Wai, Mr. Mao Xiangyun and Mr. Wei Hong.