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*(Continued into Bermuda with limited liability)*

**(Stock Code: 8166)**

**(I) MAJOR TRANSACTION  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF  
SHUNXIN HOLDINGS LIMITED  
INVOLVING ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(II) PLACING OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
AND  
(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

**Placing Agent**

 **KINGSTON SECURITIES**

**Joint financial advisers**

 **KINGSTON CORPORATE FINANCE**

 **F.E. Corporate Finance Advisory Limited**

**(I) THE ACQUISITION**

The Board is pleased to announce that on 29 May 2017 (after trading hours), the Vendor, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Shares at the consideration of HK\$120,000,000, which shall be settled by the issue of the Consideration CBs.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Loan at the consideration of HK\$1, which shall be settled by cash at Completion.

The Consideration CBs are convertible at the Conversion Price of HK\$0.06 per Consideration Conversion Share. The Conversion Price of HK\$0.06 per Consideration Conversion Share represents: (i) a discount of approximately 62.03% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and (ii) a discount of approximately 58.96% to the average closing price of approximately HK\$0.1462 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

Assuming the Consideration CBs in the principal amount of HK\$120,000,000 are fully converted at the initial Conversion Price of HK\$0.06, 2,000,000,000 new Shares will be allotted and issued by the Company under the Specific Mandate.

A maximum of 2,000,000,000 Consideration Conversion Shares represent:

- (i) approximately 32.96% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 24.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Conversion Shares.

Upon Completion and subject to audit, each of the company within the Target Group (i.e. the Target Company, Bei Ke Holdings (HK) Limited, SZQHBKDX and SZBKDX) will become a wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

## **(II) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 29 May 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent and the Placing Agent has agreed to procure subscribers to subscribe for the Placing CBs in the aggregate principal amount of HK\$360,000,000, on a best effort basis, on the terms and conditions set out in the Placing Agreement.

Completion of the Placing shall be conditional upon, among other things, the completion of the Acquisition.

Assuming the Placing CBs in the principal amount of HK\$360,000,000 are fully converted at the initial Conversion Price of HK\$0.06, 6,000,000,000 new Shares will be allotted and issued by the Company under the Specific Mandate.

A maximum of 6,000,000,000 Placing Conversion Shares represent:

- (i) approximately 98.87% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 42.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Conversion Shares and the Placing Conversion Shares.

The maximum gross proceeds from the Placing will be HK\$360,000,000. The maximum net proceeds from the Placing will amount to approximately HK\$354 million, resulting in the estimated net price of approximately HK\$0.059 for each Placing Conversion Share.

### **(III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**

To facilitate the allotment and issue of the Conversion Shares, the Board proposes to increase the authorised share capital of the Company for Shares from HK\$182,608,695.70 (divided into 9,130,434,785 Shares of a par value of HK\$0.02 per Share) to HK\$500,000,000 (divided into 25,000,000,000 Shares of a par value of HK\$0.02 per Share) by the creation of an additional 15,869,565,215 unissued Shares, which will rank *pari passu* with all Shares.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. No Shareholder is required to abstain from voting on the resolution for approving the Increase in Authorised Share Capital to be proposed at the SGM under the GEM Listing Rules.

### **GEM LISTING RULES IMPLICATIONS**

#### **Major Transaction**

As one of the applicable ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules, and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules.

#### **The Specific Mandate**

The Company will seek the Shareholders' approval at the SGM for the grant of the Specific Mandate to allot and issue the Conversion Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **GENERAL**

The SGM will be convened to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Specific Mandate for the issuance of the Conversion Shares; and (iv) the Increase in Authorised Share Capital.

A circular containing, among others, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Specific Mandate; (iv) the Increase in Authorised Share Capital; and (v) a notice convening the SGM will be despatched to the Shareholders on or before 19 June 2017 in accordance with the GEM Listing Rules.

## **THE ACQUISITION**

The Board is pleased to announce that on 29 May 2017 (after trading hours), the Vendor, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Shares at the consideration of HK\$120,000,000, which shall be settled by the issue of the Consideration CBs.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Loan at the consideration of HK\$1, which shall be settled by cash at Completion.

Major terms of the Sale and Purchase Agreement are set out below.

**Date** : 29 May 2017 (after trading hours)

### **Parties**

- (1) Cosmic Bliss Limited, a company incorporated in BVI with limited liability, as the Vendor
- (2) Champion Front Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company, as the Purchaser
- (3) the Company

(collectively, the “**Parties**”, each a “**Party**”)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor, together with its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules) as at the date of this announcement.

### **Assets to be acquired**

Subject to the terms of the Sale and Purchase Agreement, the Vendor shall sell as beneficial owner and the Company shall purchase, the Sale Shares and the Sale Loan, free from all encumbrances and together with all rights now or hereafter attaching to the Sale Shares, including all rights to any dividend or other distribution declared, made or paid after the date of the Sale and Purchase Agreement and the right to demand repayment of the Sale Loan. The Sale Shares shall represent 100% of all issued shares of the Target Company upon Completion.

As at the date of the Sale and Purchase Agreement, the Sale Loan amounts to HK\$120,000,000.

Upon Completion and subject to audit, each of the company within the Target Group (i.e. the Target Company, Bei Ke Holdings (HK) Limited, SZQHBKDX and SZBKDX) will become a wholly-owned subsidiary of the Company and accordingly, the financial results of the Target Group will be consolidated into the accounts of the Company.

### **Consideration**

The Consideration payable for the Sale Shares of HK\$120,000,000 shall be settled by the issue of the Consideration CBs.

The Consideration payable for the Sale Loan of HK\$1 shall be settled by cash at Completion.

The Consideration was determined after arm's length negotiations between the Parties taking into account of, among other things, (i) the total asset value of the Target Group as at 26 May 2017, being approximately HK\$119.4 million; (ii) the future business prospects of the Target Company; and (iii) the amount of the Sale Loan. The total asset value of the Target Group as at 26 May 2017, which mainly consists of cash, is approximately the same as the Consideration.

In light of the above, the Directors consider that the Acquisition is on normal commercial terms, which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

## Conditions precedent

Completion shall be subject to and conditional upon the following conditions precedent being fulfilled (or waived as and where appropriate):

- (a) the Purchaser being satisfied with the results of due diligence performed on the Target Group and following the date of the Sale and Purchase Agreement, no material adverse event or circumstance having occurred which would cause or may cause material adverse impact on the business, assets, financial position, performance, operations, properties or other conditions (financial or otherwise) of SZQHBKDX;
- (b) the working capital and total assets of the Target Group being not less than HK\$120,000,000 at Completion;
- (c) save for the Sale Loan, the Target Group not having any liabilities at Completion;
- (d) the shareholding structure of the Target Group remaining intact up to Completion and every company within the Target Group being validly existing at Completion;
- (e) the passing of necessary resolutions by the Shareholders at a special general meeting of the Company approving the transactions contemplated under the Sale and Purchase Agreement in accordance with relevant laws and regulations (including but not limited to the GEM Listing Rules and the Takeovers Code (where applicable));
- (f) all necessary consents and approvals in relation to the Sale and Purchase Agreement having been obtained by the Purchaser, the Company and the Vendor respectively, and the Purchaser, the Company and the Vendor having complied with the applicable laws and regulations (including but not limited to the GEM Listing Rules and the Takeovers Code (where applicable)), and such consents and approvals remaining valid up to the Completion Date and there having been no rules or regulations imposed by the relevant authorities to forbid or seriously delay the performance of the Sale and Purchase Agreement and the Completion;
- (g) all issued Shares remaining listed on, and their listing not having been withdrawn from, the Stock Exchange and the Stock Exchange not having indicated that it will object to such listing and there being no events or circumstances existing based on which the Stock Exchange could reasonably be expected to raise such objection;

- (h) the listing of, and permission to deal in, all of the Consideration Conversion Shares upon conversion of the Consideration CBs having been granted by the Stock Exchange (either unconditionally or if subject to conditions, such conditions being reasonably acceptable to the Vendor and if required by the Stock Exchange for them to be fulfilled before Completion, such conditions being fulfilled or satisfied before Completion) and such listing and permission remaining in full force and effect and not subsequently being revoked;
- (i) no material adverse event or circumstance which would cause or may cause material adverse impact on the business, assets, financial position, performance, operations, properties or other conditions (financial or otherwise) of the Group having occurred since the date of the Sale and Purchase Agreement;
- (j) each of the Company and the Purchaser having delivered to the Vendor a certificate which states the name and the form of signature of the person, who is authorised by the meeting of the board of the Company and that of the Purchaser, to sign on their behalf, the Sale and Purchase Agreement, the bond instrument and any other documents related to the issue of the Consideration CBs which are intended to be delivered under the Sale and Purchase Agreement;
- (k) none of the Vendor's warranties under the Sale and Purchase Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or being misleading or untrue in any material respect; the Vendor not having breached any terms of the Sale and Purchase Agreement in any material respect; and
- (l) none of the Purchaser's and Company's warranties under the Sale and Purchase Agreement having been breached in any material respect (or, if capable of being remedied, has not been remedied), or being misleading or untrue in any material respect; the Purchaser and the Company not having breached any terms of the Sale and Purchase Agreement in any material respect.

Save for conditions precedent (e) to (h) which are not waivable, the Purchaser and the Company may waive conditions precedent (a) to (d) and (k) (relating to the Vendor's warranties and responsibilities) by notice in writing to the Vendor by the Long Stop Date; the Vendor may waive conditions precedent (i) to (j) and (l) (relating to the Purchaser's and the Company's warranties and responsibilities) by notice in writing to the Purchaser and the Company by the Long Stop Date.

In the event that any conditions precedent shall not be fulfilled by the Long Stop Date or such later date as the Parties may agree in writing (save for the conditions precedent waived in accordance with the above), then the Parties shall not be bound to proceed with the transactions contemplated under the Sale and Purchase Agreement and save for provisions relating to conditions precedent, confidentiality, notice, governing law and other miscellaneous items, the Sale and Purchase Agreement shall cease to be of any effect and none of the Parties shall have any liability to other any Party, and none of the Parties shall make any claims against any other Party save for any antecedent breach thereof.

## **Completion**

Completion shall take place on the fifth Business Day after fulfilment (or waiver, as the case may be) of all the conditions precedent (or such other date as may be agreed by the Parties pursuant to the Sale and Purchase Agreement).

## **INFORMATION ON THE CONSIDERATION CBs**

Set out below are the principal terms of the Consideration CBs:

|                                 |                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Issuer:</b>                  | the Company                                                                                                                                                                                                                                                                                                                                       |
| <b>Principal Amount:</b>        | HK\$120,000,000                                                                                                                                                                                                                                                                                                                                   |
| <b>Authorised Denomination:</b> | HK\$600,000 each and integral multiples thereof                                                                                                                                                                                                                                                                                                   |
| <b>Maturity Date:</b>           | Fourth anniversary of date of the issue of the Consideration CBs                                                                                                                                                                                                                                                                                  |
| <b>Interest rate:</b>           | The Consideration CBs shall bear zero interest                                                                                                                                                                                                                                                                                                    |
| <b>Conversion Period:</b>       | The period commencing on the date of issue of the Consideration CBs and expiring on the Maturity Date                                                                                                                                                                                                                                             |
| <b>Conversion Rights:</b>       | Subject to the Conversion Conditions (as defined below), the Conversion Rights may, subject as provided therein, be exercised on any Business Day during the Conversion Period, by the holder of the Consideration CBs to convert the whole or any part(s) of the principal amount of the Consideration CBs into Consideration Conversion Shares. |

No fraction of a Consideration Conversion Share shall be issued on conversion of the Consideration CBs but a cash payment will be made to the holder of the Consideration CBs in respect of such fraction.



**Conversion Conditions  
and Principal Amount  
Adjustment:**

The holder of the Consideration CBs shall have the right to convert the Consideration CBs into Consideration Conversion Shares in accordance with the following:

- (a) up to HK\$60,000,000, being 50% of the aggregate principal amount of the Consideration CBs, can be convertible into Shares at the Conversion Price on any Business Day during the Conversion Period;
- (b) up to HK\$30,000,000, being 25% of the aggregate principal amount of the Consideration CBs, can be convertible into Shares at the Conversion Price on any Business Day during the period from which Actual Profit 1 (as defined below) having fulfilled Target Profit 1 (as defined below) up to the expiry of the Conversion Period, subject to SZQHBKDX and its subsidiaries (including SZBKDX, the following companies which will become wholly-owned subsidiaries of SZQHBKDX following the execution date of the Sale and Purchase Agreement: Jiangsu Huayun Life Technology Company Limited\* (江蘇華雲生命科技有限公司), Liaoning Huayun Life Technology Company Limited\* (遼寧華雲生命科技有限公司), Hunan Huayun Life Technology Company Limited\* (湖南華雲生命科技有限公司) as well as other direct and indirect subsidiaries to be formed or acquired by SZQHBKDX following the execution date of the Sale and Purchase Agreement) generating net profit (as audited and confirmed by the approved accountant) (“**Actual Profit 1**”) reaching RMB40,000,000 (equivalent to approximately HK\$44,800,000) (“**Target Profit 1**”) during the period from 1 January 2018 to 31 December 2018 (“**Conversion Period 1**”), whereby the actual principal amount of the Consideration CBs convertible into Consideration Conversion Shares shall be calculated in accordance with the Principal Amount Adjustment (as defined below); and

- (c) up to HK\$30,000,000, being the remaining 25% of the aggregate principal amount of the Consideration CBs, can be convertible into Shares at the Conversion Price on any Business Day during the period from which Actual Profit 2 (as defined below) having fulfilled Target Profit 2 (as defined below) up to the expiry of the Conversion Period, subject to SZQHBKDX and its subsidiaries (including SZBKDX, the following companies which will become wholly-owned subsidiaries of SZQHBKDX following the execution date of the Sale and Purchase Agreement: Jiangsu Huayun Life Technology Company Limited\* (江蘇華雲生命科技有限公司), Liaoning Huayun Life Technology Company Limited\* (遼寧華雲生命科技有限公司), Hunan Huayun Life Technology Company Limited\* (湖南華雲生命科技有限公司) as well as other direct and indirect subsidiaries to be formed or acquired by SZQHBKDX following the execution date of the Sale and Purchase Agreement) generating net profit (as audited and confirmed by the approved accountant) (“**Actual Profit 2**”) reaching RMB40,000,000 (equivalent to approximately HK\$44,800,000) (“**Target Profit 2**”) during the period from 1 January 2019 to 31 December 2019 (“**Conversion Period 2**”), whereby the actual principal amount of the Consideration CBs convertible into Consideration Conversion Shares shall be calculated in accordance with the Principal Amount Adjustment (as defined below).

(collectively, the “**Conversion Conditions**”)

The principal amount of the Consideration CBs convertible pursuant to the above (b) and (c) of the Conversion Conditions shall be subject to the following adjustment:

- (a) where Actual Profit 1 falls short of Target Profit 1, the HK\$30,000,000 principal amount of the Consideration CBs (equivalent to 25% of the principal amount of the Consideration CBs) convertible under (b) of the Conversion Conditions shall be reduced by the percentage by which Actual Profit 1 falls short of Target Profit 1 and the actual principal amount of the Consideration CBs convertible shall be calculated based on the formula below:

Actual principal amount of the Consideration CBs convertible

$$= \text{HK\$30,000,000} \times \frac{\text{Actual Profit 1}}{\text{Target Profit 1}}$$

- (b) where Actual Profit 2 falls short of Target Profit 2, the HK\$30,000,000 principal amount of the Consideration CBs (equivalent to 25% of the principal amount of the Consideration CBs) convertible under (c) of the Conversion Conditions shall be reduced by the percentage by which Actual Profit 2 falls short of Target Profit 1 and the actual principal amount of the Consideration CBs convertible shall be calculated based on the formula below:

Actual principal amount of the Consideration CBs convertible

$$= \text{HK\$30,000,000} \times \frac{\text{Actual Profit 2}}{\text{Target Profit 2}}$$

- (c) where Actual Profit 1 falls short of Target Profit 1 (thus the actual principal amount of the Consideration CBs has been reduced pursuant to (a) of the Principal Amount Adjustment (as defined below) above) but Actual Profit 2 exceeds Target Profit 2, then the principal amount of the Consideration CBs which became unconvertible pursuant to (a) of the Principal Amount Adjustment (as defined below) above) shall be partially restored based on the formula below which is convertible into Shares on any Business Day during the period from the approved accountant auditing and confirming Actual Profit 2 within Conversion Period 2 up to the expiry of the Conversion Period:

Restoration of the principal amount of the Consideration CBs

$$= \text{HK\$30,000,000} \times \frac{\text{Actual Profit 2} - \text{Target Profit 2}}{\text{Target Profit 1}}$$

Notwithstanding the above, the restoration of the principal amount of the Consideration CBs shall be capped at:

$$\text{HK\$30,000,000} \times \frac{\text{Target Profit 1} - \text{Actual Profit 1}}{\text{Target Profit 1}}$$

- (d) where the actual net profit has not reached Target Profit 1 and Target Profit 2 during Conversion Period 1 and Conversion Period 2 and has caused reduction in the principal amount of the Consideration CBs pursuant to the instrument of the Consideration CBs, then the portion of Consideration CBs which became unconvertible shall be cancelled by the Company on the Maturity Date and the holder of the Consideration CBs shall not require the Company to redeem or compensate such cancelled portion of the Consideration CBs.

(collectively, the “**Principal Amount Adjustment**”)

**Conversion Price:**

The Consideration CBs are convertible at the Conversion Price of HK\$0.06 per Consideration Conversion Share. The Conversion Price of HK\$0.06 per Consideration Conversion Share represents:

- (i) a discount of approximately 62.03% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the date of the Sale and Purchase Agreement; and
- (ii) a discount of approximately 58.96% to the average closing price of HK\$0.1462 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement.

The Conversion Price was arrived at after arm’s length negotiations among the Company and the Vendor with reference to, among other things, the prevailing market performance of the Shares as well as the Conversion Conditions and the Principal Amount Adjustment.

In the event that both Target Profit 1 and Target Profit 2 have been met, SZQHBKDX and its subsidiaries (including SZBKDX, the following companies which will become wholly-owned subsidiaries of SZQHBKDX following the execution date of the Sale and Purchase Agreement: Jiangsu Huayun Life Technology Company Limited\* (江蘇華雲生命科技有限公司), Liaoning Huayun Life Technology Company Limited\* (遼寧華雲生命科技有限公司), Hunan Huayun Life Technology Company Limited\* (湖南華雲生命科技有限公司) as well as other direct and indirect subsidiaries to be formed or acquired by SZQHBKDX following the execution date of the Sale and Purchase Agreement) would have generated an aggregate net profit of RMB80,000,000 (equivalent to approximately HK\$89,600,000), which represents approximately 74.67% of the Consideration. In this case, the Company would have recovered a substantial portion of its investment in the Target Company which has been profit generating in around two years’ time.

In the event that neither Target Profit 1 nor Target Profit 2 have been met, the principal amount of the Consideration CBs would be reduced to HK\$60,000,000 which represents only approximately 50% of the Consideration. In this case, the Company would have acquired the Target Company, which currently consists mainly of cash, at a significant discount.

Based on the above, The Directors consider that the terms of the Consideration CBs are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

**Anti-dilution adjustments:**

The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including, but not limited to, the followings:

- (i) consolidation, sub-division or re-classification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution or grant of rights to acquire for cash assets of the Company or any of its subsidiaries to Shareholders;
- (iv) offer to Shareholders new Shares for subscription by way of rights, grant to Shareholders of options or warrants to subscribe for new Shares at less than market price;
- (v) issues of securities convertible into or exchangeable for or carry rights for subscription for new Shares at less than market price and subsequent modifications to conversion, exchange or subscription rights attached thereto;
- (vi) issues of Shares at less than market price; and
- (vii) issues of Shares for acquisitions.

**Consideration Conversion Shares:**

Assuming the Consideration CBs in the principal amount of HK\$120,000,000 are fully converted at the initial Conversion Price of HK\$0.06, 2,000,000,000 new Shares will be allotted and issued by the Company under the Specific Mandate.

A maximum of 2,000,000,000 Consideration Conversion Shares represent:

- (i) approximately 32.96% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 24.79% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Conversion Shares.

**Limitations on  
conversion of the  
Consideration CBs:**

The conversion of the Consideration CBs is conditional upon, among other things, compliance with relevant laws and regulations (including but not limited to the GEM Listing Rules and the Takeovers Code (where applicable)).

The Conversion Rights shall not be exercised by the holder of the Consideration CBs, or if exercised by virtue of a conversion notice having been given by such holder, the Company may treat the conversion notice as invalid and shall not be obliged to issue any Consideration Conversion Shares, if it comes to the notice of the Company that the conversion of the Consideration CBs into Consideration Conversion Shares would cause the Company being unable to meet the public float requirement under the GEM Listing Rules.

**Redemption:**

Unless previously converted, redeemed, purchased or cancelled in accordance with the bond instrument of the Consideration CBs, the Consideration CBs which have not been converted, redeemed, purchased or cancelled as at the Maturity Date shall be redeemed in whole (but not in parts) by the Company on the Maturity Date at 100% of the outstanding principal amount of the Consideration CBs.

Unless pursuant to redemption clause on events of default or other conditions set out in the bond instrument of the Consideration CBs, the Company shall not redeem the Consideration CBs prior to the Maturity Date.

**Ranking:**

Shares issued upon conversion of the Consideration CBs shall rank *pari passu* in all respects with all other existing Shares on the date of issue of the Consideration Conversion Shares and be entitled to all dividends and other distributions made in accordance with relevant laws (including the GEM Listing Rules) on or after the date of their issue.

**Transferability:** The principal amount to be assigned or transferred is at least HK\$600,000 and in integral multiples of HK\$600,000 unless the outstanding principal amount of the Consideration CBs is less than HK\$600,000 in which case the whole (but not part only) of that amount may be assigned and transferred.

Subject to above, the assignment and transfer (where applicable) of the Consideration CBs is further subject to the conditions, approvals, requirements and any other provisions of or under (i) the GEM Listing Rules; (ii) the Takeovers Code; and (iii) all applicable laws and regulations.

**Application for listing:** No application will be made by the Company in any jurisdictions for listing of the Consideration CBs. Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Conversion Shares.

## **INFORMATION ON THE TARGET GROUP**

The Target Company, Shunxin Holdings Limited (順欣控股有限公司), was incorporated in BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1 each. The principal business activities of the Target Company is investment holding. As at the date of this announcement, the total number of issued shares of the Target Company is 1,000, all of which are held by the Vendor.

Bei Ke Holdings (HK) Limited\* (北科控股(香港)有限公司) was incorporated in Hong Kong with limited liability. As at the date of the Sale and Purchase Agreement, the Target Company is the sole legal and beneficial owner of Bei Ke Holdings (HK) Limited. The principal business activities of Bei Ke Holdings (HK) Limited is investment holding.

SZQHBKDX (深圳前海北科鼎新科技發展有限公司) was incorporated in PRC with limited liability and is a wholly-owned subsidiary of Bei Ke Holdings (HK) Limited as at the date of this announcement. The scope of business of SZQHBKDX is the research, technical consultation, technology transfer of biotechnology (excluding human stem cells, development and application of genetic diagnosis and treatment, rare and unique valuable fine varieties in the PRC, crops, poultry, livestock and aquatic fingerlings transgenic breeding and other restrictive and prohibitive items, and items involving license administration and administration of other specific regulations may begin operation upon obtaining relevant license), enterprise management consultation, business information consultation, economic information consultation, investment consultation and quality information consultation (exclusive of restrictive item for the abovementioned).

SZBKDX (深圳北科鼎新生命科技有限公司) was incorporated in the PRC with limited liability and is a wholly-owned subsidiary of SZQHBKDX as at the date of this announcement. The scope of business of SZBKDX is research and development on biological products, new biological process, new biological technology and transfer of own technological achievements; stem cells technology, immunocyte technology, research and development on biomedical technology; investment in bio-industry and medical industry (specific items shall be separately declared); provision of logistics services management to hospitals; information consultation (excluding talent referral services, securities, futures, insurance, financial business and other restrictive items); domestic trading, engaging in import and export of goods and technology services (business operations involving administrative licensing may begin to operate upon obtaining relevant administrative licensing documents).

Set out below is the summary of the unaudited financial information of the Target Group based on its consolidated management accounts.

**For the period from  
19 January 2016  
(being the date  
of incorporation)  
to 26 May 2017  
HK\$'000  
approximately**

|                 |         |
|-----------------|---------|
| Revenue         | nil     |
| Loss before tax | 750     |
| Loss after tax  | 750     |
| Cash balance    | 115,873 |

Based on the unaudited consolidated management accounts of the Target Group, as at 26 May 2017, the total assets of the Target Group were approximately HK\$119.4 million and its net liabilities were approximately HK\$742,000.

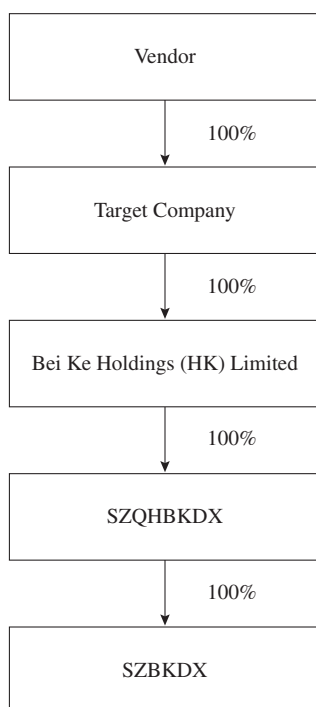
## **INFORMATION OF THE VENDOR**

The Vendor, Cosmic Bliss Limited, is a company incorporated in BVI with limited liability which is principally engaged in investment holding. As at the date of this announcement, the Vendor owns 100% interest in the Target Company.

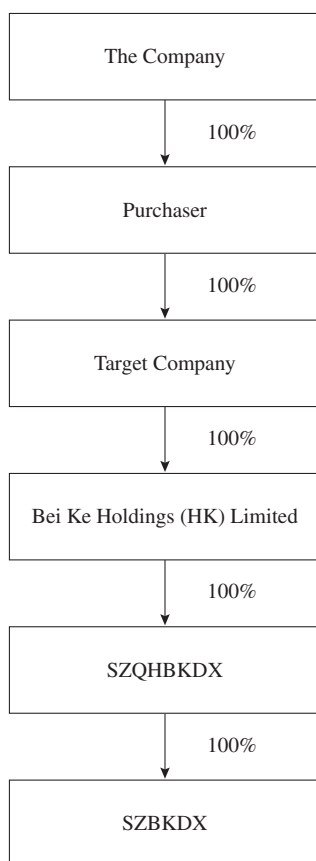


# SHAREHOLDING STRUCTURE OF THE TARGET GROUP

## (i) Immediately prior to Completion



## (ii) Immediately upon Completion



## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the business of one-stop value chain services, property investment, trading of consumables and agricultural products, trading of grocery food products and provision of money lending service.

The Board has examined the current rising demand for the application of the latest biotechnology in medical and health service sectors in PRC. Based on the Company's preliminary research on certain listed companies in PRC whose principal business activities include human stem cell and related biological storage, the Board notes that they are profit making. In light of the growing population size and gradual relaxation on the one-child policy in PRC, as well as the increasing health awareness among the population in PRC, the Company considers there will be further growth in the demand for biotechnological services in the future, particularly in human stem cell storage, which could be of important medical use with advances in technology.

As at the date of this announcement, SZQHBKDX has invited at least five experts who have been participating in biotechnological researches in prestigious universities in Hong Kong and PRC to join the Target Group. The Board is of the view that the extensive knowledge and experience possessed by these experts would be beneficial to the Target Group in supervising and optimising the operations of the Target Group on the technical aspect.

The Company is confident that, with the development of science, the application of biotechnological theories would provide further range of products and services to the general public. By having a solid customer base at the embryo stage of biotechnological applications, the Target Group would be able to enjoy the first mover advantage and would be in a more competitive position in promoting its forthcoming products and services to its forward-looking customers in the future.

Following Completion, the Target Group will commence its operations by establishing head quarter in Shenzhen and eventually developing into other PRC cities. The Directors expect that the biotechnological business of the Target Group could provide an additional revenue stream to the Group by catering for the strong demand for human stem cell storage in PRC. With its existing network in PRC, the Directors are confident that the diversification of the Company's business portfolio would provide further opportunities to the Group.

The Directors consider that the Sale and Purchase Agreement was entered into under normal commercial terms following arm's length negotiations between the Vendor, the Company and the Purchaser and the Acquisition is fair and reasonable, and in the interest of the Company and Shareholders as whole.

## **(II) PLACING OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE**

On 29 May 2017 (after trading hours), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to appoint the Placing Agent as the placing agent and the Placing Agent has agreed to procure subscribers to subscribe for the Placing CBs in the aggregate principal amount of HK\$360,000,000, on a best effort basis, on the terms and conditions set out in the Placing Agreement.

Major terms of the Placing Agreement are set out below.

**Date** : 29 May 2017 (after trading hours)

### **Parties**

- (1) Kingston Securities Limited, a limited company incorporated in Hong Kong, as the Placing Agent
- (2) the Company

### **Placing Agent**

Subject to the provisions of the Placing Agreement, the Company appoints the Placing Agent, and the Placing Agent agrees and undertakes to act as placing agent to procure, on a best effort basis during the Placing Period, currently expected to be not less than six Placees to subscribe for the Placing CBs at a subscription price equal to 100% of the principal amount of the Placing CBs (together with such Hong Kong stamp duty, the stock trading fee, transaction levy and investor compensation levy imposed by the SFC and brokerage commission as may be payable by the Placees, if any) in accordance with the provisions of the Placing Agreement.

Save for the financial advisory service provided by Kingston Corporate Finance Limited, a fellow subsidiary of the Placing Agent, for the Acquisition and the Placing, as at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons (as defined in the GEM Listing Rules).

## **Placees**

The Placing Agent undertakes to the Company that it will use its best endeavours to ensure that the Placees are professional, institutional and/or private investors and it receives a confirmation from each Placee that each Placee and its ultimate beneficial owner is independent of and not connected with the directors, chief executive, or substantial shareholders of the Company or its subsidiaries or any of their respective associates (as defined in the GEM Listing Rules) or parties acting in concert with any of them (as defined in the Takeovers Code) or connected persons (as defined in the GEM Listing Rules) of the Company.

## **Conditions precedent**

Completion of the Placing shall be conditional upon:

- (a) the Listing Committee of the Stock Exchange shall have granted or agreed to grant (either unconditionally or subject only to conditions to which neither the Company nor the Placing Agent shall reasonably object) and not having withdrawn or revoked the approval of listing of and permission to deal in all the Placing Conversion Shares;
- (b) the Shareholders shall have approved by way of poll at the SGM approving the Placing Agreement and the transactions contemplated thereunder (including the issue of the Placing CBs and the specific mandate for the allotment and issue of the Placing Conversion Shares upon the exercise of the conversion rights attaching to the Placing CBs);
- (c) the Shareholders shall have approved at the SGM the increase in the authorised share capital of the Company to HK\$500,000,000;
- (d) the Acquisition having been completed; and
- (e) the obtaining of other necessary approvals, consents or authorisation for the entering into of the Placing Agreement and the transactions contemplated thereunder (if any).

None of the above conditions precedent can be waived. If any of the above conditions precedent is not fulfilled on or before the date falling on the fifth business day after expiration of the Placing Period or such later date as the Placing Agent and the Company may agree, the Placing Agreement shall lapse and become null and void and the parties to the Placing Agreement will be released from their respective obligations thereunder, save the liabilities for any antecedent breaches thereof.

## Termination

The Placing Agent may, by notice to the Company given at any time prior to 8:00 a.m. on the completion date of the Placing, terminate the Placing Agreement, if in the absolute opinion of the Placing Agent, the success of the Placing contemplated thereunder would be materially and adversely affected by:

- (a) 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 nature whatsoever which may in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Placing; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date hereof) of a political, military, financial, economic or other nature (whether or not *ejusdem generis* with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the absolute opinion of the Placing Agent materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and makes it inexpedient or inadvisable to proceed with the Placing; or
- (c) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or
- (d) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing; or

- (e) any material breach of any of the representations, warranties or undertakings given by the Company under the Placing Agreement comes to the knowledge of the Placing Agent which in the absolute opinion of the Placing Agent is likely to materially or adversely affect the success of the Placing or otherwise makes it inexpedient or inadvisable to proceed with the Placing.

If at any time prior to 8:00 a.m. on the completion date of the Placing, any such notice as is referred to above is given by the Placing Agent, the obligations of the parties under the Placing Agreement shall terminate forthwith and no party thereof shall have any claim against the other party for costs, damages, compensation or otherwise save for any antecedent breaches.

### **Completion of the Placing**

Subject to fulfilment of the conditions precedent of the Placing Agreement, completion of the subscription of the Placing CBs shall take place on the fifth business day following the date on which the conditions precedent of the Placing Agreement are fulfilled or such other date as the parties thereof may agree in writing.

### **Placing Commission**

In consideration of the services of the Placing Agent in relation to the Placing, the Company shall pay to the Placing Agent placing commission, in Hong Kong dollars, being calculated as a fee of 1.5% of the aggregate subscription monies for the Placing CBs placed and/or subscribed by the Placing Agent.

## **INFORMATION ON THE PLACING CBS**

Set out below are the principal terms of the Placing CBs:

|                                 |                                                                                                |
|---------------------------------|------------------------------------------------------------------------------------------------|
| <b>Issuer:</b>                  | the Company                                                                                    |
| <b>Principal Amount:</b>        | Up to HK\$360,000,000                                                                          |
| <b>Authorised Denomination:</b> | HK\$600,000 each and integral multiples thereof                                                |
| <b>Maturity Date:</b>           | The date falling on the expiration of the thirtieth month of the issue date of the Placing CBs |

- Interest rate:** The Placing CBs shall not bear any interest
- Conversion Period:** The period commencing on the first business day immediately after the first anniversary of the issue date of the Placing CBs and expiring on the Maturity Date (both days exclusive)
- Conversion Rights:** The Conversion Rights may, subject as provided therein, be exercised on any business day during the Conversion Period, by the holder of the Placing CBs to convert the whole or part of the principal amount of the Placing CBs into Placing Conversion Shares.

No fraction of a Placing Conversion Share will be issued on conversion of the Placing CBs and no equivalent cash payment in Hong Kong dollars will be made to the holder of the Placing CBs in respect of such fraction.

- Conversion Price:** The Placing CBs are convertible at the Conversion Price of HK\$0.06 per Placing Conversion Share. The Conversion Price of HK\$0.06 per Placing Conversion Share represents:

- (i) a discount of approximately 62.03% to the closing price of HK\$0.158 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and
- (ii) a discount of approximately 58.96% to the average closing price of HK\$0.1462 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement.

The Conversion Price of the Placing CBs was arrived at after arm's length negotiations among the Company and the Placing Agent with reference to, among other things, the prevailing market performance of the Shares, the recent trading volume of the Shares and the Conversion Price of the Placing CBs.

Based on the above, The Directors consider that the terms of the Placing CBs are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

**Anti-dilution adjustments:** The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including, but not limited to, the followings:

- (i) consolidation, sub-division or re-classification of Shares;
- (ii) capitalisation of profits or reserves;
- (iii) capital distribution or grant of rights to acquire for cash assets of the Company or any of its subsidiaries to Shareholders;
- (iv) offer to Shareholders new Shares for subscription by way of rights, grant to Shareholders of options or warrants to subscribe for new Shares at less than market price;
- (v) issues of securities convertible into or exchangeable for or carry rights for subscription for new Shares at less than market price and subsequent modifications to conversion, exchange or subscription rights attached thereto; and
- (vi) issues of Shares at less than market price.

**Placing Conversion Shares:** Assuming the Placing CBs in the principal amount of HK\$360,000,000 are fully converted at the initial Conversion Price of HK\$0.06, 6,000,000,000 new Shares will be allotted and issued by the Company under the Specific Mandate.

A maximum of 6,000,000,000 Placing Conversion Shares represent:

- (i) approximately 98.87% of the existing issued share capital of the Company as at the date of this announcement; and
- (ii) approximately 42.65% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Conversion Shares and the Placing Conversion Shares.

**Limitations on conversion of the Placing CBs:**

The holder of the Placing CBs shall have the right to convert the whole or part of the principal amount of the Placing CBs into Shares at any time and from time to time during the Conversion Period in amounts of HK\$600,000 or its integral multiples on each conversion, subject to the conditions that any conversion will not result in the Company not fulfilling the public float requirements under Rule 11.23 of the GEM Listing Rules.



**Redemption:**

At any time prior to the Maturity Date, the Company may elect to redeem all or any part of the Placing CBs then outstanding by giving written notice to the holders of the Placing CBs at a redemption price equal to the aggregate of 100% of the outstanding principal amount on the Placing CBs to be redeemed.

If any of the events of default occurs and has not been remedied by the Company within 14 business days after the holders of the Placing CBs serving a notice on the Company, the holders of the Placing CBs may, prior to the Maturity Date, give notice to the Company that the Placing CBs are, and shall on the giving of such notice immediately become, due and payable at their principal amount.

**Ranking:**

Shares issued upon conversion of the Placing CBs shall rank *pari passu* in all respects with all other existing Shares outstanding at the date of the conversion notice and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice.

**Transferability:**

Subject to the compliance with any applicable requirements of the Stock Exchange (including without limitation the GEM Listing Rules), the Placing CBs may be assigned or transferred in amounts of HK\$600,000 or its integral multiples on each assignment or transfer, save that if at any time, the principal outstanding amount of the Placing CBs is less than HK\$600,000 the whole (but not part only) of the principal outstanding amount of the Placing CBs may be assigned or transferred, provided always that the Placing CBs shall not be assigned or transferred to any connected person of the Company (as defined under the GEM Listing Rules) except with the prior written approval of the Company.

**Application for listing:**

No application will be made for a listing of the Placing CBs on the Stock Exchange or any other stock exchanges. Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Conversion Shares.

## **REASONS FOR THE PLACING AND USE OF PROCEEDS**

The Group is principally engaged in the business of one-stop value chain services, property investment, trading of consumables and agricultural products, trading of grocery food products and provision of money lending service.

The Company has been currently taking positive steps to sustain the business operations for the Group while at the same time exploring appropriate business development and investment opportunities with reasonable and potential returns to enhance the Company's future development opportunity in order to maximise the profit to the Shareholders.

The maximum gross proceeds from the Placing will be HK\$360 million. The maximum net proceeds from the Placing will amount to approximately HK\$354 million, resulting in the estimated net price of approximately HK\$0.059 for each Placing Conversion Share.

### **Funding needs for the repayment of outstanding liabilities**

As at the date of this announcement, the Group has outstanding liabilities which consist, among other things, convertible bond, secured bank borrowing, margin loan and unsecured loan in the aggregate principal amount and the associated interest payables of approximately HK\$74.7 million, of which approximately HK\$23 million already falls due.

The Company intends to apply approximately HK\$74.7 million of the proceeds from the Placing to settle such outstanding liabilities so as to reduce the gearing ratio of the Company and the related financing costs.

### **Funding needs for the business development of the Target Group**

To grasp the rising demand for bio-technological services in PRC, the Company has identified four locations in PRC, namely, Shenzhen, Benxi, Changsha and Nanjing, which are among the most populated cities in PRC, as the branches of the Target Group. It is expected that with the ongoing bio-technological services provided to the clients and the strategic marketing campaign of the Target Group, the Target Group would be well known for its professionalism and research excellence to provide a range of cross sectional products and services in the market.

To leverage its solid business ground and to promote its regional presence, the Target Group intends to establish sizeable bio-technological centers in the said four PRC cities with an aim not only to serve retail and corporate clients with storage needs but also as a destination for medical solution consultations in the future.

With the ongoing expansion of its stem cell storage pool size in PRC, the Target Group would be in an advantageous position to form strategic alliance with governments, universities and corporations around the globe and optimize its products and services with latest biotechnology.

The Directors expect that each of the biotechnological centers would require approximately HK\$50 million for the first year including expenses relating to construction, recruitment, sales and marketing, maintenance and development of the biotechnological center. In light of the above, the Company intends to apply the existing funds of the Target Company and apply approximately HK\$81 million of the proceeds from the Placing for the establishment of aforesaid four branches.

### **Funding needs for the business development of the Group**

#### ***Possible acquisition of a biotechnology related company***

The Company is aware of the importance of possessing top class expertise in biotechnology and having an innovative product development team to extend the capability and longer term profitability of the Target Group. It is the Company's strategy to initiate value innovation in the less contested biotechnological application industry and possibly lead the product development direction in the market.

To further sharpen its competitive edge and promote the continuous development of the business of the Target Group, the Company is currently looking for investment opportunities in biotechnology related company(ies) which could synergise with the business of the Target Group. As at the date of this announcement, the Company has not yet identified any suitable investment target and no agreement of any form has been entered into by the Group. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules.

The Company intends to allocate approximately HK\$110 million of the net proceeds from the Placing for the aforesaid purpose.

#### ***Properties investment***

With the recent rise of properties price in PRC, the Company is confident in the business prospects of its property investment business. The Company intends to broaden its investment portfolio and has been seeking investment opportunities in PRC. As at the date of this announcement, the Company has been in negotiation with a potential vendor regarding the possible acquisition of property interest in PRC. As at the date of this announcement, the terms of such possible acquisition has not yet been finalised and no agreement of any form has been entered into by the Group. In the event that the possible acquisition does not materialise, the Company will continue to look for investment opportunities in the PRC and Hong Kong market with an aim to maximise return to Shareholders. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules.

The Company intends to allocate approximately HK\$50 million of the net proceeds from the Placing for the development of the Group's properties investment business as aforesaid.

### ***General working capital***

The Company intends to allocate the remaining net proceeds from the Placing of approximately HK\$38.3 million as the general working capital of the Group including but limited to (i) approximately HK\$23.8 million as the costs of sales of the Group; (ii) the remaining approximately HK\$14.5 million for the salaries, rental and other operating expenses of the Group for the coming six months.

The Directors consider that the Placing presents an opportunity for the Company to strengthen the cash position of the Group while broadening the investor base of the Group. Further, the Company is of the view that the non-interest bearing nature of the Placing CBs and the one-year lock up period for conversion of the Placing CBs is favourable compared with that of the debt financing and equity fundraising exercises in the market which do not have such terms and provisions. The Directors consider that the Placing is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

In light of the above, the Directors are of the view that the terms and conditions of the Placing Agreement are fair and reasonable and the Placing is in the interests of the Company and the Shareholders as a whole.

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

The following table summarises the equity fund raising activities of the Company during the last 12 months prior to the date of this announcement:

| <b>Date of initial announcement</b> | <b>Fund raising activity</b>                 | <b>Net proceeds (approximately)</b> | <b>Intended use of proceeds</b>                                                                                                                     | <b>Actual use of proceeds</b> |
|-------------------------------------|----------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 19 July 2016                        | Subscription of shares under general mandate | HK\$43,100,000                      | as the consideration of the acquisition of 5% of the equity interest in the Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) | Used as intended              |

Save for the above, as at the date of this announcement, the Company has not conducted any other equity fund raising activities during the last 12 months prior to the date of this announcement.

## EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately upon Completion and full conversion of the Consideration CBs at the Conversion Price of HK\$0.06 per Conversion Share; and (iii) immediately upon Completion and full conversion of the Consideration CBs and Placing CBs at the Conversion Price of HK\$0.06 per Conversion Shares, for illustration purpose only:

|                           | (i) As at the date of this announcement |                | (ii) Immediately upon Completion and full conversion of the Consideration CBs at the Conversion Price of HK\$0.06 per Conversion Share |                | (iii) Immediately upon Completion and full conversion of the Consideration CBs and Placing CBs at the Conversion Price of HK\$0.06 per Conversion Share |                |
|---------------------------|-----------------------------------------|----------------|----------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|
|                           | Number of Shares                        | approximate %  | Number of Shares                                                                                                                       | approximate %  | Number of Shares                                                                                                                                        | approximate %  |
| The Vendor                | -                                       | -              | 2,000,000,000                                                                                                                          | 24.79%         | 2,000,000,000                                                                                                                                           | 14.21%         |
| Placees (Note)            | -                                       | -              | -                                                                                                                                      | -              | 6,000,000,000                                                                                                                                           | 42.65%         |
| Other public Shareholders | 6,068,785,235                           | 100.00%        | 6,068,785,235                                                                                                                          | 75.21%         | 6,068,785,235                                                                                                                                           | 43.14%         |
| <b>Total</b>              | <b>6,068,785,235</b>                    | <b>100.00%</b> | <b>8,068,785,235</b>                                                                                                                   | <b>100.00%</b> | <b>14,068,785,235</b>                                                                                                                                   | <b>100.00%</b> |

Note:

The holder of the Placing CBs shall have the right to convert the whole or part of the principal amount of the Placing CBs into Shares at any time and from time to time during the Conversion Period in amounts of HK\$600,000 or its integral multiples on each conversion, subject to the conditions that any conversion will not result in the Company not fulfilling the public float requirements under Rule 11.23 of the GEM Listing Rules.

### (III) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

To facilitate the allotment and issue of the Conversion Shares, the Board proposes to increase the authorised share capital of the Company for Shares from HK\$182,608,695.70 (divided into 9,130,434,785 Shares of a par value of HK\$0.02 per Share) to HK\$500,000,000 (divided into 25,000,000,000 Shares of a par value of HK\$0.02 per Share) by the creation of an additional 15,869,565,215 unissued Shares, which will rank *pari passu* with all Shares.

As at the date of this announcement, the unissued Shares are 3,061,649,550 Shares which is lower than the aggregate of 8,000,000,000 Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds. The Board considers that Increase in Authorised Share Capital will facilitate the issue of the Conversion Shares and give greater flexibility to the Company to raise funds through the issue of new Shares in the future. As such, the Board is of the view that the Increase in Authorised Share Capital is in the interest of the Company and the Shareholders as a whole.

The Increase in Authorised Share Capital is conditional upon the passing of an ordinary resolution by the Shareholders at the SGM. No Shareholder is required to abstain from voting on the resolution for approving the Increase in Authorised Share Capital to be proposed at the SGM under the GEM Listing Rules.

## **GEM LISTING RULES IMPLICATIONS**

### **Major Transaction**

As one of the applicable ratios (as defined in the GEM Listing Rules) in respect of the Acquisition is more than 25% but are less than 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules, and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules.

### **The Specific Mandate**

The Company will seek the Shareholders' approval at the SGM for the grant of the Specific Mandate to allot and issue the Conversion Shares. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

## **GENERAL**

The SGM will be convened to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Specific Mandate for the issuance of the Conversion Shares; and (iv) the Increase in Authorised Share Capital.

A circular containing, among others, further details of (i) the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Specific Mandate; (iv) the Increase in Authorised Share Capital; and (v) a notice convening the SGM will be despatched to the Shareholders on or before 19 June 2017 in accordance with the GEM Listing Rules.

## DEFINITIONS

In this announcement, unless the context otherwise requires, capitalised terms used shall have the following meanings:

|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Acquisition”                     | the acquisition of the Sale Shares and the Sale Loan by the Purchaser from the Vendor pursuant to the Sale and Purchase Agreement                                                                                                                                                                                                                                                                                               |
| “Board”                           | the board of Directors                                                                                                                                                                                                                                                                                                                                                                                                          |
| “Business Day(s)”                 | day/days on which licensed commercial banks in Hong Kong are open for business (excluding Saturdays, Sundays and public holidays)                                                                                                                                                                                                                                                                                               |
| “BVI”                             | the British Virgin Islands                                                                                                                                                                                                                                                                                                                                                                                                      |
| “Company”                         | China Eco-Farming Limited, a company continued into Bermuda with limited liability, the shares of which are listed on GEM                                                                                                                                                                                                                                                                                                       |
| “Completion”                      | completion of the Acquisition                                                                                                                                                                                                                                                                                                                                                                                                   |
| “Completion Date”                 | the fifth Business Day after fulfilment (or waiver, as the case may be) of all the conditions precedent (or such other date as may be agreed by the Parties pursuant to the Sale and Purchase Agreement)                                                                                                                                                                                                                        |
| “Consideration”                   | the sum of HK\$120,000,001 to be paid by the Purchaser to the Vendor for the Acquisition                                                                                                                                                                                                                                                                                                                                        |
| “Consideration CBs”               | the convertible bonds in the principal amount of HK\$120,000,000 to be issued by the Company to the Vendor for the settlement of the Consideration for the Sale Shares pursuant to the Sale and Purchase Agreement                                                                                                                                                                                                              |
| “Consideration Conversion Shares” | Not less than 2,000,000,000 Shares to be issued by the Company through the conversion of the Consideration CBs pursuant to the bond instrument thereof at the Conversion Price of HK\$0.06 on the Completion Date, the number of which following Completion shall be subject to, including but not limited to, Conversion Conditions and Principal Amount Adjustment as well as the adjustment (if any) to the Conversion Price |

|                                        |                                                                                                                                                                                                                                                                                                                |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Conversion Price”                     | the initial conversion price of HK\$0.06 per Conversion Share                                                                                                                                                                                                                                                  |
| “Conversion Shares”                    | collectively, the Consideration Conversion Shares and the Placing Conversion Shares                                                                                                                                                                                                                            |
| “Convertible Bonds”                    | collectively, the Consideration CBs and the Placing CBs                                                                                                                                                                                                                                                        |
| “Director(s)”                          | the director(s) of the Company                                                                                                                                                                                                                                                                                 |
| “GEM”                                  | the Growth Enterprise Market of the Stock Exchange                                                                                                                                                                                                                                                             |
| “GEM Listing Rules”                    | the Rules Governing the Listing of Securities on GEM                                                                                                                                                                                                                                                           |
| “Group”                                | the Company and its subsidiaries                                                                                                                                                                                                                                                                               |
| “Hong Kong”                            | the Hong Kong Special Administrative Region of PRC                                                                                                                                                                                                                                                             |
| “Increase in Authorised Share Capital” | the proposed increase in the authorised share capital of the Company for Shares from HK\$182,608,695.70 of a par value of HK\$0.02 per Share to HK\$500,000,000 of a par value of HK\$0.02 per Share as described in the paragraph headed “Proposed Increase in Authorised Share Capital” in this announcement |
| “Long Stop Date”                       | 31 August 2017                                                                                                                                                                                                                                                                                                 |
| “Placees”                              | any professional, institutional or other private investors procured by or on behalf of the Placing Agent to subscribe for the Placing CBs pursuant to the Placing Agent’s obligations under the Placing Agreement                                                                                              |
| “Placing”                              | the placing of up to HK\$360,000,000 in principal amount of the Placing CBs to the Placees on the terms and subject to the conditions set out in the Placing Agreement                                                                                                                                         |
| “Placing Agent”                        | Kingston Securities Limited, a limited company incorporated in Hong Kong, which is a corporation licensed by the SFC to carry on Type 1 regulated activity (dealing in securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)                                           |



|                               |                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Placing Agreement”           | the conditional placing agreement entered into between the Company and the Placing Agent dated 29 May 2017 in relation to the Placing;                                                                                                                                                                                                                                     |
| “Placing CBs”                 | the convertible bonds in the principal amount of up to HK\$360,000,000 to be issued by the Company pursuant to the Placing Agreement with the benefit of and subject to the provisions of the conditions set out in the Placing Agreement                                                                                                                                  |
| “Placing Conversion Shares”   | the Shares to be issued by the Company upon exercise of the conversion rights by the holders of the Placing CBs                                                                                                                                                                                                                                                            |
| “Placing Period”              | means the period commencing forthwith upon execution of the Placing Agreement and expiring on the thirtieth (30th) Business Day after the later of the Completion or the SGM (both days inclusive) or on such later date which the Company and the Placing Agent may agree in writing, unless terminated earlier in writing pursuant to the terms of the Placing Agreement |
| “PRC”                         | the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong and the Macau Special Administrative Region and Taiwan                                                                                                                                                                                                                           |
| “Purchaser”                   | Champion Front Limited, a company incorporated in BVI with limited liability and a direct wholly-owned subsidiary of the Company                                                                                                                                                                                                                                           |
| “Sale and Purchase Agreement” | the sale and purchase agreement dated 29 May 2017 entered into between the Vendor, the Purchaser and the Company in relation to the Acquisition                                                                                                                                                                                                                            |
| “Sale Loan”                   | outstanding shareholder’s loan due from Bei Ke Holdings (HK) Limited to the Vendor in the principal amount of HK\$120,000,000 as at the date of the Sale and Purchase Agreement                                                                                                                                                                                            |
| “Sale Shares”                 | 1,000 shares of the Target Company held by the Vendor                                                                                                                                                                                                                                                                                                                      |
| “SFC”                         | the Securities and Futures Commission of Hong Kong                                                                                                                                                                                                                                                                                                                         |
| “SFO”                         | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)                                                                                                                                                                                                                                                                                                |

|                    |                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “SGM”              | the special general meeting of the Company be convened to consider and, if thought fit, approve, among other things, (i) the Sale and Purchase Agreement and the transactions contemplated thereunder, (ii) the Placing Agreement and the transactions contemplated thereunder; (iii) the Specific Mandate for the issuance of the Conversion Shares; and (iv) the Increase in Authorised Share Capital |
| “Share(s)”         | ordinary share(s) of HK\$0.02 each in the issued share capital of the Company                                                                                                                                                                                                                                                                                                                           |
| “Shareholder(s)”   | holder(s) of the Share(s)                                                                                                                                                                                                                                                                                                                                                                               |
| “Specific Mandate” | the specific mandate to be sought from Shareholders at the SGM to authorise the Directors to allot and issue the Conversion Shares                                                                                                                                                                                                                                                                      |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                                                                                                                                 |
| “SZBKDX”           | Shenzhen Beike Dingxin Bio-technology Company Limited* (深圳北科鼎新生命科技有限公司), a company incorporated in PRC with limited liability                                                                                                                                                                                                                                                                           |
| “SZQHBKDX”         | Shenzhen QianHai Beike Dingxin Technology Company Limited* (深圳前海北科鼎新科技有限公司), a company incorporated in PRC with limited liability                                                                                                                                                                                                                                                                       |
| “Takeovers Code”   | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC (as amended from time to time)                                                                                                                                                                                                                                                                                                 |
| “Target Company”   | Shunxin Holdings Limited (順欣控股有限公司), a company incorporated in BVI with limited liability                                                                                                                                                                                                                                                                                                               |
| “Target Group”     | Target Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                     |
| “Vendor”           | Cosmic Bliss Limited (宇福有限公司), a company incorporated in BVI with limited liability                                                                                                                                                                                                                                                                                                                     |
| “HK\$”             | Hong Kong dollar(s), the lawful currency of Hong Kong                                                                                                                                                                                                                                                                                                                                                   |
| “RMB”              | Renminbi, the lawful currency of PRC                                                                                                                                                                                                                                                                                                                                                                    |

“US\$” United States dollars, the lawful currency of the United States of America

“%” per cent.

By Order of the Board  
**China Eco-Farming Limited**  
**So David Tat Man**  
*Executive Director*

Hong Kong, 29 May 2017

*The translation of RMB into HK\$ throughout this announcement is based on the exchange rate of RMB1.00 to HK\$1.12 which is provided for information purposes only.*

*As at the date of this announcement, the executive Directors are Mr. So David Tat Man, Mr. Lai Yick Fung, Mr. Au Yeung Po Leung and Mr. Ng Cheuk Fan, Keith; and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its publication.*

\* *For identification purpose only*