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*(Continued into Bermuda with limited liability)*

**(Stock Code: 8166)**

## **VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF PROPERTIES**

### **THE DISPOSAL**

On 29 October 2019 (after trading hours), the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Properties located in Shenzhen City, Guangdong Province, the PRC, at the Consideration of RMB69,449,988 (equivalent to approximately HK\$76,929,752).

### **GEM LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the GEM Listing Rules.

A circular containing, among other things, further details of the Disposal, notice of the SGM and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 19 November 2019.

**As the Disposal is subject to, amongst others, Shareholders' approval at the SGM and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## INTRODUCTION

On 29 October 2019 (after trading hours), the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Properties located in Shenzhen City, Guangdong Province, the PRC, at the Consideration of RMB69,449,988 (equivalent to approximately HK\$76,929,752).

## SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

**Date:** 29 October 2019 (after trading hours)

**Parties:** (i) the Vendor; and  
(ii) the Purchaser.

(collectively, the “**Parties**”)

### The Properties

The Properties comprise commercial premises situated at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC with a total gross floor area of approximately 1,690 sq.m.. As at the date of this announcement, 6 units are leased out, and the remaining 2 commercial units are for the Group’s own use as one of its offices in the PRC. The Company is confident that it will find a suitable office for replacement of the current one before Completion.

Based on the management accounts of the Vendor for the years ended 31 December 2018 and 31 December 2017, the net profit attributable to the Properties for the financial year ended 31 December 2018 was approximately HK\$17.4 million and the net loss attributable to the Properties for the financial year ended 31 December 2017 is approximately HK\$3.8 million both before and after taxation.<sup>#</sup>

<sup>#</sup> *Properties in PRC are subject to, among others, property tax and land use right tax. Rental income from Properties are subject to sales tax and other affiliated tax. The Properties themselves (including the capital gain) are not subject to profit tax. Accordingly, the net profit is both before and after taxation.*

As at 30 September 2019, the book value of the Properties is RMB93.1 million (equivalent to approximately HK\$106.0 million) based on the valuation report as at 31 December 2018 which was carried in the books of the Company using an exchange rate of RMB1 to HK\$1.1386 quoted on 31 December 2018. The Properties were valued mainly with reference to market evidence of recent transaction prices for similar properties for the same location and type of properties.

The market value of the Properties when China Smart Asia Limited, which wholly owns the Vendor, was acquired in 2015 was RMB83,800,000 as at 31 May 2015 as disclosed in the circular of the Company dated 27 July 2015.

### **Consideration and payment terms**

The Consideration for the Disposal is RMB69,449,988 (equivalent to approximately HK\$76,929,752), which was arrived at after arm's length negotiation between the Parties on normal commercial terms with reference to, among others, the preliminary valuation of the Properties as at 15 October 2019 of RMB69.5 million (equivalent to approximately HK\$77.0 million) based on market approach conducted by Ravia Global Appraisal Advisory Limited (瑞豐環球評估諮詢有限公司), an independent professional valuer, and the prices of similar properties in the same building as listed by real estate agents which formed the basis for the valuation of the Properties. Details of the valuation will be included in the circular in relation to the Disposal. In determining the Consideration, management of the Company has also considered the recent offers from potential buyers of the Properties, and the opportunity costs of delaying the disposal of the Properties during a time when the Company is in immediate need of cash. For further details of the reasons and benefits for the Disposal, please refer to the section headed "Reasons for and Benefits of the Disposal" below.

The Consideration shall be payable by the Purchaser in cash in the following manner:

- (i) deposit (the "**Deposit**") of RMB3.45 million (equivalent to approximately HK\$3.82 million), which will be paid by the Purchaser to an escrow account with the Escrow Agent within two days upon execution of the Sale and Purchase Agreement by the Parties and shall become part payment of the Consideration upon the Parties handling the transfer procedures. RMB1 million (equivalent to approximately HK\$1.11 million) of the Deposit shall be kept in the escrow account to urge the Vendor to deliver the Properties on schedule and for clearance of all expenses, i.e. water, electricity, property management service fee and related expenses accrued up to delivery of the Properties;

- (ii) RMB33,799,988 (equivalent to approximately HK\$37.4 million), being part payment (the “**Second Payment**”) of the Consideration which shall be paid by the Purchaser to another escrow account with the mortgage bank (the “**Bank**”) before 11 November 2019; and
- (iii) in respect of the remaining balance (the “**Mortgage Payment**”) of RMB32.2 million (equivalent to approximately HK\$35.7 million), the Purchaser shall submit the materials for mortgage application to the Bank before 11 November 2019 and assist the Bank in the mortgage approval procedures. If the mortgage granted by the Bank is less than the remaining balance of the Consideration, the Purchaser shall make up the deficiency by paying it to the escrow account with the Bank within 3 business days upon the Bank issuing the loan commitment letter which refers to the letter of approval of the mortgage loan to be issued by the Bank.

According to the Sale and Purchase Agreement, the Vendor will receive the Consideration in the following timeline:

1. After submission of relevant documents for property transfer (遞件過戶) to the relevant land ownership department, the Parties will deliver the submission receipt to the Escrow Agent. By then, the Vendor will receive RMB2,450,000 of the Deposit;
2. The remaining RMB1 million of the Deposit, after clearance of outstanding expenses (if any), and the Mortgage Payment will be received by the Vendor upon delivering to the Escrow Agent and the Bank the Confirmation of Delivery of Properties (交樓確認書) signed by the Parties which refers to the confirmation signed by the Parties that the Properties and affiliated facilities, decorations and renovation are checked and accepted, and keys are delivered to the Purchaser; and
3. The Second Payment will be received by the Vendor upon delivering to the Bank the receipt evidencing completion of title transfer for the Properties which refers to the document to be issued by the relevant land ownership department stating that the title of the Properties has been transferred to the Purchaser.

### **Conditions precedent**

Completion shall be conditional upon:

- (i) the approval of the Disposal by the Shareholders at the SGM having been obtained; and
- (ii) the compliance with any other requirements under the GEM Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion.

## **Completion**

Completion shall take place within three days upon the transfer of the Properties to the Purchaser and the full receipt of the Consideration by the Vendor.

## **INFORMATION ON THE PURCHASER**

The Purchaser is an individual introduced to the Company by the Property Agent. Upon enquiry to the Purchaser through the Property Agent, to the best knowledge of the Directors, the Purchaser is a merchant in the PRC and is independent of and not connected with the Company or any of its subsidiaries and its connected persons as at the date of this announcement.

The Company has been approached by other potential purchasers through the Property Agent. Save for the Purchaser, no other potential purchaser was able to conclude the deal with payment of the deposit and was willing to accept additional conditions precedent of approval at the SGM and the prolonged expected completion date due to the very substantial disposal nature of the Disposal.

The original seller of the Properties is Rich Best Asia Limited, a direct wholly-owned subsidiary of Chinese Strategic Holdings Limited, a company whose issued shares are listed on GEM (stock code: 8089) according to its annual report for the year ended 31 December 2018. To the best knowledge of the Directors, the Purchaser is independent of and not connected with the original seller of the Properties or its holding company or any of its subsidiaries and its connected persons as at the date of this announcement.

Save for those stated in the Sale and Purchase Agreement, there is no other arrangement, understanding or undertaking among the Purchaser and the Company and its connected persons.

## **INFORMATION ON THE VENDOR**

深圳市盛世富強科技有限公司 (Shenzhen City Shengshi Fuqiang Technology Company Limited\*), being the Vendor, is a company with limited liability established in the PRC, and is an indirect non-wholly owned subsidiary of the Company as at the date of this announcement.

## FINANCIAL EFFECTS OF THE DISPOSAL

Based on the Consideration, the excess of aggregate of the book value of the Properties of RMB93.1 million (equivalent to approximately HK\$106.0 million) as at 30 September 2019 over the proceeds and commission payable from the Disposal is approximately RMB24.9 million (equivalent to approximately HK\$27.6 million). The Company is expected to record an unaudited loss before tax on Disposal of approximately RMB24.9 million (equivalent to approximately HK\$27.6 million) and exchange loss of approximately HK\$2.9 million. The calculations are only estimates provided for illustrative purposes and are subject to audit.

## USE OF PROCEEDS

The net proceeds, being the Consideration of RMB69,449,988 (equivalent to approximately HK\$76,929,752) less the estimated expenses (including the property agent commission in the PRC of RMB1.25 million (equivalent to approximately HK\$1.38 million) and professional fees and administration expenses of approximately HK\$1.62 million), of approximately HK\$73.92 million are intended to be used for the settlement of outstanding liabilities of the Group as to approximately HK\$49.00 million and as its general working capital as to approximately HK\$24.92 million (for general administrative expenses such as rent expenses, salaries, Directors' fees, interest payments, etc).

## Loans to be settled by the net proceeds

	<b>Principal amount</b> <i>HK\$('000)</i> <i>Approximately</i>	<b>Interest rate per month</b> <i>%</i>	<b>Maturity</b>	<b>Asset under pledge</b>	<b>Interest expense up to maturity date</b> <i>HK\$('000)</i> <i>Approximately</i>
Secured loan*	11,077	0.54	19/12/2019	2 units of the Properties	157
Secured loan*	7,754	1.80	22/11/2019	2 units of the Properties	382
Secured loan*	8,862	1.80	12/12/2019	2 units of the Properties	540
Unsecured loan	5,000	1.50	7/12/2019		150
Unsecured loan	5,000	1.50	22/11/2019		75
	<u>37,693</u>				<u>1,304</u>

\* There will be a gap period between the bank or financial institution demanding for repayment of the secured loan upon disposal of the Properties and full receipt of the Consideration by the Group. Accordingly, the Company would borrow a bridging loan from a bank of RMB25 million for a couple of weeks which would be sufficient to repay the 3 loans secured by the Properties.

**Interest rate  
per annum  
%**

**Acquisition of remaining 50%  
interests in Delightful Hope  
Limited which indirectly  
wholly owns the Vendor**

Balance payment	<u>10,000</u>	8.00	31/3/2020	
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**Interest rate  
per annum  
%**

**Other loans and liabilities  
(the “Remaining Liabilities”)**

Margin loan	5,671	10.00		
Margin loan	3,369	6.63		
Secured loan	10,000	12.00	27/4/2020	A property in TML Tower, Hong Kong
Unsecured loan	5,040	Nil	31/12/2021	
Unsecured loan	14,400	Nil	31/12/2021	
Unsecured loan	4,500	15.00	28/12/2019	
Mortgage loan (Taiwan)	7,737	floating rate	30/4/2030	A flat in Taipei with 2 car parking space
	<u>50,717</u>			

To settle the Remaining Liabilities, the Company will not rule out possibilities of conducting any debt and/or equity fundraising activities and/or disposal of its assets. As at the date of this announcement, besides the placing agreement dated 20 September 2019, the Company does not have any concrete plan and no agreement in relation to the aforesaid has been entered into by the Company. Following the Completion, depending on the then market circumstances and the Company’s needs of funds, the Company may consider possible debt and/or equity fundraising activities and/or disposal of its assets. The Company will make further announcement(s) as and when appropriate pursuant to the GEM Listing Rules.

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

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

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the revenue and gross profit decreased significantly compared to that for the six months ended 30 June 2018. In view of the current market environment and business prospects of the property market in the PRC, and having regard to the uncertain business operation environment of the property leasing market in the PRC, the Company expects that the Group can benefit from the Disposal as it can obtain positive cash flow from the Disposal which will strengthen the financial position of the Group and will provide funds for the general working capital of the Group and settlement of its outstanding liabilities. The Company has requested different property agents to sell the Properties for more than half a year. As informed by the property agents, few people inquired about the Properties with those who inquired demanding for a lower price from time to time. In addition, as the Properties comprise 8 commercial premises on the same floor which involved a large sum of the Consideration, it's difficult to identify a willing purchaser in a short period of time. As a result, when the Purchaser was identified, the Vendor grasped the opportunity and entered into the Sale and Purchase Agreement with the Purchaser.

In view of the outstanding liabilities detailed in the section headed "Use of Proceeds" above, the Company entered into the placing agreement dated 20 September 2019. In addition, taking into consideration the uncertain development of property market in PRC as detailed below, the Company has put its 9 properties, i.e. the Properties and a residential house in Shenzhen for sale or lease to realise their value for settlement of outstanding liabilities of the Group. As at the date of this announcement, the residential house in Shenzhen is vacant with no pledge or mortgage for which no potential purchaser was identified.



The Company has conducted researches with reference to public information on the office market in the PRC and in particular, Shenzhen. According to certain research reports on the PRC real estate market in 2019 prepared and published by famous and trustworthy property valuers, there is approximately 58% decline in the net absorption rate and the vacancy rate rose to 20.9% in the second quarter of 2019 for the office market in 17 major cities in PRC. In addition, the vacancy rate will continue to increase due to the expected large supply. The oversupply, together with the slowdown in the PRC economy will inevitably impose downward pressure to the office market in Shenzhen.

It is noticed that the geopolitical uncertainty derived from China-US trade tension and the extra tariff on Chinese exports to the US and consequent reduction in import/export activity has cast a shadow over the business confidence in the PRC. Shenzhen, as a leader of the PRC economy at the forefront of its economic reform may be affected immediately and directly. The challenging outlook for the PRC economy in light of the ongoing trade war and the increasing competition in nearby cities brought by The Planning of the Guangdong-Hong Kong-Macau Greater Bay Area may deteriorate the property market in Shenzhen in the future. It might cause and intensify the negative impact on the fair value of the Properties.

As such, due to a worsening economic outlook of the PRC and high vacancy rate of office market in Shenzhen, it is understandable that the current market value of the Properties is different from the market value of the Properties when it was acquired in 2015 and its latest book value as at 31 December 2018. The Directors are not optimistic to the office market in Shenzhen in the coming future as the office market in Shenzhen is in a downward trend. In order to eliminate the risk of potential further loss of the Properties and in consideration of the funding needs of the Group, the Directors decided to proceed with the Disposal and are of the view that the Disposal at the Consideration which is similar to the valuation of the Properties disclosed in the section headed “Consideration and payment terms” is fair and reasonable and is in the best interest of the Shareholders and the Company as a whole.

## **UPDATE ON THE PLACING**

Reference is made to the announcement of the Company dated 20 September 2019 in relation to the placing of new Shares under general mandate of the Company. The placing agent has identified more than 6 placees, and completion of the placing will take place in accordance with the placing agreement. The long stop date for fulfillment of the conditions precedent of the placing is 31 October 2019. Net proceeds from the placing are expected to be approximately HK\$8.4 million.

## UPDATE ON THE ACQUISITION

Reference is made to the announcement of the Company dated 17 July 2017. Skyline Top Limited (“**Skyline Top**”, a subsidiary of the Company) entered into an agreement with Yardley Wealth Management Limited (“**Yardley**”) to acquire the remaining 50% interests in Delightful Hope Limited (“**DHL**”), which indirectly wholly owns the Vendor, for cash consideration of HK\$55 million (the “**Acquisition**”).

On 19 March 2019, the parties agreed to extend the long stop date of the Acquisition to 31 March 2020. As stated in the table on page 6 of this announcement, part of the net proceeds from the Disposal are intended to be used to settle the remaining balance of HK\$10 million of the consideration in relation to the Acquisition.

DHL is a joint venture company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company. It is owned as to 50% by the Company and its principal business is investment holding. There is no change in the business operation of DHL since its incorporation.

Part of the net proceeds from the Disposal are intended to be used for the settlement of the remaining balance of HK\$10 million of the consideration in relation to the Acquisition and the interest accrued, upon payment of which completion of the Acquisition will take place. Save for disclosed, no other agreement or arrangement was made between Skyline Top and Yardley in relation to the Consideration. Notwithstanding the Acquisition has not been completed, the Group is legally entitled to proceed with the Disposal and fully receive the Consideration.

Pursuant to the agreement for the Acquisition dated 17 July 2017 (as amended by the supplemental agreements dated 31 July 2017, 17 January 2018 and 19 March 2019), all conditions precedent have been fulfilled. It is the obligation of Skyline Top to make the balance of the consideration upon completion of the Acquisition. In view of the cashflow of the Group and after arm’s length negotiation between the parties, Yardley agreed to postpone the completion of the Acquisition pending the payment of the remaining balance of the consideration. Even though the completion of the Acquisition has not taken place and in consideration of the downturn of the Shenzhen property market, Yardley agreed to receive the remaining balance upon Completion. As such, the Disposal does not constitute a material change of the Acquisition. In addition, DHL also indirectly owns the residential house in Shenzhen with the book value of approximately RMB19.5 million (equivalent to approximately HK\$22.2 million) as at 31 December 2018 based on the valuation report as at 31 December 2018 which was carried in the books of the Company using an exchange rate of RMB1 to HK\$1.1386 quoted on 31 December 2018 which is an investment property for sale or lease. It is fair and reasonable and the contractual obligation of Skyline Top to proceed with the Acquisition after the Completion.

## GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the GEM Listing Rules.

A circular containing, among other things, further details of the Disposal, notice of the SGM and other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 19 November 2019.

**As the Disposal is subject to, amongst others, Shareholders' approval at the SGM and may or may not proceed, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“Board”	the board of Directors
“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 Disposal
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Consideration”	the cash consideration payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Properties subject to such terms and conditions as set out in the Sale and Purchase Agreement

“Escrow Agent” or “Property Agent”	Centaline (China) Property Agency Limited (中原(中國)房地產代理有限公司), the escrow agent and property agent designated by the Purchaser and the Vendor in relation to escrow of the Deposit and the Disposal
“GEM”	the GEM 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
“PRC”	the People’s Republic of China
“Properties”	commercial premises situated at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC
“Purchaser”	Mr. Cai Weiyuan, being a merchant in the PRC
“Sale and Purchase Agreement”	the agreement entered into between the Vendor and the Purchaser on 29 October 2019 for the sale and purchase of the Properties
“SGM”	the special general meeting of the Company to be held for the purpose of approving the Disposal
“Shareholder(s)”	holder(s) of the Shares
“Shares”	the ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US”	The United States of America

“Vendor”	深圳市盛世富強科技有限公司(Shenzhen City Shengshi Fuqiang Technology Company Limited*), a company with limited liability established in the PRC and an indirect non-wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 29 October 2019

*As at the date of this announcement, the executive Directors are Mr. So David Tat Man 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 Listed Company Information” page of the GEM website for at least 7 days from the date of its publication.*

\* *For identification purpose only*

# *Unless otherwise specified, the translation of RMB into HKD is based on the exchange rate of RMB\$1 to HK\$1.1077 quoted on 15 October 2019 and is for information purpose only.*