

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



China Ecotourism Group Limited

中國生態旅遊集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

PAST DISCLOSEABLE AND CONNECTED TRANSACTIONS

PAST CONNECTED TRANSACTIONS IN RESPECT OF EXTENSIONS AND RESTRUCTURE OF THE LOAN

Reference is made to the 2020 Announcement in relation to, among other things, the impairment on certain loan receivables then owing to the Group for the financial year ended 31 December 2019 (“**FY2019**”).

Among the loan receivables disclosed in the 2020 Announcement, the Lender, an indirect subsidiary of the Company, had extended to the Borrower a loan of RMB20 million disbursed in two tranches, namely (i) tranche A in respect of RMB10 million for a one year term commencing on 18 May 2018 (the “**Tranche A Loan**”); and (ii) tranche B in respect of RMB10 million for a six-month term commencing on 28 May 2018 (the “**Tranche B Loan**”), each at the interest rate of 8% per annum and without any security provided pursuant to the Initial Loan Agreement (collectively, “**Grant of Loans**”) (collectively as the “**Loan**”). As further disclosed in the 2020 Announcement, to the best of the knowledge, information and belief of the then Directors, having made all reasonable enquiries, the Borrower and its ultimate beneficial owner(s) were independent third parties and not connected persons of the Company.

It has recently come to the attention of the Company that, subsequent to the Grant of Loans in May 2018, Mr. Sha indirectly (i) acquired the shareholder which then held 35% of the equity interest in the Borrower (“**35%-Shareholder**”) on or around 10 August 2018 (the “**First Acquisition**”); and (ii) through such 35%-Shareholder acquired an additional 40% equity interest in the Borrower which was ultimately owned by Mr. Hai on or around 16 October 2018 (the “**Second Acquisition**”); and following such acquisitions Mr. Sha indirectly owned a total of 75% equity interest in the Borrower. Mr. Sha has been, and is as at the date of this announcement, the spouse of Ms. Chan who has been an executive Director and chairperson of the Board. Accordingly, the Borrower became a connected person of the Company after the First Acquisition when Mr. Sha first indirectly acquired 35% equity interest in the Borrower on 10 August 2018.

As a result, the subsequent agreements made between the Lender and the Borrower for the extension and/or restructure of the Loan, namely the First Extension Agreement, the Second Extension Agreement, the Third Extension Agreement and the Debt Restructuring Agreement should have constituted connected transactions of the Company. The Company also wishes to update the Shareholders and investors that all outstanding amounts under the Loan as restructured were settled and repaid in April 2021.

Apart from the Loan, the Group had an outstanding advance of approximately HK\$1.532 million as at 31 December 2021 owing by the Borrower (the “**Advance**”) (as at 31 December 2020: approximately HK\$1.489 million) which, when aggregated with the Debt Restructuring Agreement, should have constituted a discloseable and connected transaction of the Company.

LISTING RULES IMPLICATIONS

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions shall be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were all otherwise related for the purpose of calculating the relevant percentage ratios. As one or more of the relevant applicable percentage ratio(s) in respect of the First Extension Agreement (when aggregated with the Initial Loan Agreement) exceeded 0.1% but was less than 5%, the First Extension Agreement did not constitute a discloseable transaction under Chapter 14 of the Listing Rules, but should have been subject to the reporting and announcement requirements whilst exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratio(s) in respect of each of the Second Extension Agreement (when aggregated with the First Extension Agreement), the Third Extension Agreement (when aggregated with the First Extension Agreement), the Debt Restructuring Agreement (both on a standalone basis and when aggregated with the Extension Agreements) and the Advance (when aggregated with the Debt Restructuring Agreement) was greater than 5% but less than 25%, each of the Second Extension Agreement, the Third Extension Agreement, the Debt Restructuring Agreement and the Advance constituted (i) a discloseable transaction which should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction which should have been subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Company was not aware of the change of ownership of equity interest in the Borrower to become under the control of Mr. Sha until recently, the Company was not then aware that each of the Extension Agreements, the Debt Restructuring Agreement and the Advance constituted connected transactions of the Company and thus had not complied with the applicable reporting, announcement, annual review and, where applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

PAST CONNECTED TRANSACTIONS IN RESPECT OF EXTENSIONS AND RESTRUCTURE OF THE LOAN

Reference is made to the 2020 Announcement in relation to, among other things, the impairment on certain loan receivables then owing to the Group as at FY2019.

Among the loan receivables disclosed in the 2020 Announcement, the Lender, an indirect subsidiary of the Company, had extended to the Borrower a loan of RMB20 million disbursed in two tranches, namely (i) the Tranche A Loan; and (ii) the Tranche B Loan. As further disclosed in the 2020 Announcement, to the best of the knowledge, information and belief of the then Directors, having made all reasonable enquiries, the Borrower and its ultimate beneficial owner(s) were independent third parties and not connected persons of the Company.

It has recently come to the attention of the Company that, subsequent to the Grant of Loans in May 2018, Mr. Sha indirectly (i) acquired the 35%-Shareholder on or around 10 August 2018; and (ii) through such 35%-Shareholder acquired an additional 40% equity interest in the Borrower which was ultimately owned by Mr. Hai on or around 16 October 2018; and following such acquisitions Mr. Sha indirectly owned a total of 75% equity interest in the Borrower. Mr. Sha has been, and is as at the date of this announcement, the spouse of Ms. Chan who has been an executive Director and chairperson of the Board. Accordingly, the Borrower became a connected person of the Company after the First Acquisition when Mr. Sha first indirectly acquired 35% equity interest in the Borrower on 10 August 2018.

As a result, the subsequent agreements made between the Lender and the Borrower for the extension and/or restructure of the Loan, namely the First Extension Agreement, the Second Extension Agreement, the Third Extension Agreement and the Debt Restructuring Agreement should have constituted connected transactions of the Company. The Company also wishes to update the Shareholders and investors that all outstanding amounts under the Loan as restructured were settled and repaid in April 2021.

The First Extension Agreement (regarding the Tranche B Loan) and its key terms

Pursuant to the Initial Loan Agreement, the maturity date of the Tranche B Loan was 27 November 2018. On 27 November 2018, the First Extension Agreement was entered into between the Lender and the Borrower pursuant to which the repayment date for the Tranche B Loan was extended from 27 November 2018 to 27 November 2019 with the same interest rate of 8% per annum and all other terms with respect of the Tranche B Loan under the Initial Loan Agreement remained unchanged.

The Second Extension Agreement (regarding the Tranche A Loan) and its key terms

Pursuant to the Initial Loan Agreement, the maturity date of the Tranche A Loan was 17 May 2019. On 11 September 2019, the Second Extension Agreement was entered into between the Lender and the Borrower pursuant to which (i) the repayment date for the Tranche A Loan was extended from 17 May 2019 to 17 May 2020; (ii) the interest rate in respect of the Tranche A Loan was revised from 8% per annum to 5.22% per annum; and (iii) all other terms with respect to the Tranche A Loan under the Initial Loan Agreement remained unchanged.

The Third Extension Agreement (regarding the Tranche B Loan) and its key terms

Pursuant to the First Extension Agreement, the maturity date of the Tranche B Loan was extended to 27 November 2019. On 27 November 2019, the Third Extension Agreement was entered into between the Lender and the Borrower pursuant to which (i) the repayment date for the Tranche B Loan was further extended from 27 November 2019 to 31 December 2020; (ii) the interest rate of the Tranche B Loan was revised from 8% per annum to 5.22% per annum; and (iii) all other terms with respect of the Tranche B Loan under the Initial Loan Agreement, as extended by the First Extension Agreement, remained unchanged.

The Debt Restructuring Agreement and its key terms

On 31 December 2020, the Debt Restructuring Agreement was made between the Lender and the Borrower pursuant to which the parties thereto had agreed to restructure the outstanding Loan debt upon and subject to the terms and conditions therein stated.

The Lender and the Borrower agreed and acknowledged that, as at 31 December 2020, after receipt of interest payments in the aggregate amount of approximately RMB1,723,096, the total outstanding under the Loan owing by the Borrower to the Lender was RMB21,092,624.66 (being RMB20 million principal and accrued interests of approximately RMB1,092,624.66).

Pursuant to the Debt Restructuring Agreement, the Lender and the Borrower agreed to restructure the total outstanding debt of RMB21,092,624.66 (“**Total Outstanding**”). The parties agreed that the Borrower shall pay 30% of the Total Outstanding to the Lender as settlement for the Total Outstanding, i.e. the sum of RMB6,327,787.40 (the “**Restructured Debt**”) and that the Restructured Debt shall be repayable in two equal instalments within six months of the signing of the Debt Restructuring Agreement and by 31 December 2021 respectively. The Restructured Debt was fully settled and repaid in around April 2021.

Advance made to the Borrower

Apart from the Loan, the Group had the Advance in the amount of approximately HK\$1.532 million as at 31 December 2021 (as at 31 December 2020: approximately HK\$1.489 million).

INFORMATION OF THE PARTIES

The Company, the Group and the Lender

The Company is a company incorporated in Bermuda with limited liability and its Shares have been listed on the Main Board of the Stock Exchange. The Group is engaged in (i) the provision of technology and operation services for lottery systems, terminal equipment and gaming products and sales of lottery terminals and related equipment; (ii) research and development, processing, production and sales of natural and health food; and (iii) project development and operation of ecotourism.

The Lender is a company incorporated in the PRC and is principally engaged in the provision of lottery system and equipment in the PRC, and has been at the material time and as at the date of this announcement is, a non wholly-owned subsidiary of the Company.

The Borrower

Based on information available to the Company, the Borrower is a company incorporated in the PRC and is principally engaged in financial leasing business.

Based on information available to the Company, as at the date of the Initial Loan Agreement of 18 May 2018, the Borrower was then ultimately owned as to 40% by Mr. Hai, 35% by Mr. Gao (through the 35%-Shareholder) and 25% by Ms. Dou. To the best of the Directors' knowledge, information and belief, at the material time, each of Mr. Hai, Mr. Gao and Ms. Dou was an Independent Third Party, and hence the Borrower was an Independent Third Party. Based on information available to the Company, the Borrower remains ultimately owned as to 75% by Mr. Sha and 25% by Ms. Dou as at the date of this announcement.

For further details of the change in shareholders of the Borrower since the date of the Initial Loan Agreement of 18 May 2018 up to the date of this announcement based on information available to the Company, please see the section headed "Past Connected Transactions in respect of Extensions and Restructure of the Loan" in this announcement.

LISTING RULES IMPLICATIONS

At the time when the Initial Loan Agreement was made on 18 May 2018, the Borrower was an Independent Third Party. As all of the applicable percentage ratios in respect of the Initial Loan Agreement were less than 5%, the Initial Loan Agreement did not constitute a discloseable transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules.

The Borrower subsequently became a connected person of the Company on 10 August 2018, and accordingly, each of the First Extension Agreement, the Second Extension Agreement, the Third Extension Agreement, the Debt Restructuring Agreement and the Advance, all made after 10 August 2018, should have constituted connected transactions under Chapter 14A of the Listing Rules. As the amount of the Advance is less than HK\$3 million and all the applicable percentage ratios in respect of the Advance were less than 5%, the Advance is constituted a de minimis transaction under Chapter 14A of the Listing Rules on a standalone basis, and is fully exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions shall be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or were all otherwise related for the purpose of calculating the relevant percentage ratios. As one or more of the relevant applicable percentage ratio(s) in respect of the First Extension Agreement (when aggregated with the Initial Loan Agreement) exceeded 0.1% but was less than 5%, the First Extension Agreement did not constitute a discloseable transaction under Chapter 14 of the Listing Rules, but should have been subject to the reporting and announcement requirements whilst exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the relevant applicable percentage ratio(s) in respect of each of the Second Extension Agreement (when aggregated with the First Extension Agreement), the Third Extension Agreement (when aggregated with the First Extension Agreement), the Debt Restructuring Agreement (both on a standalone basis and when aggregated with the Extension Agreements) and the Advance (when aggregated with the Debt Restructuring Agreement) was greater than 5% but less than 25%, each of the Second Extension Agreement, the Third Extension Agreement, the Debt Restructuring Agreement and the Advance constituted (i) a discloseable transaction which should have been subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction which should have been subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Company was not aware of the change of ownership of equity interest in the Borrower to become under the control of Mr. Sha until recently, the Company was not then aware that each of the Extension Agreements, the Debt Restructuring Agreement and the Advance constituted connected transactions of the Company and thus had not complied with the applicable reporting, announcement, annual review and, where applicable, independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE GRANT OF LOANS, THE EXTENSION AGREEMENTS AND THE DEBT RESTRUCTURING AGREEMENT

Reasons for the Grant of Loans

In 2017, the Group acquainted with Mr. Hai, a businessman with extensive experience in the PRC, through an informal business occasion, and the Group and Mr. Hai discussed on potential video-based lottery business project in Fujian. Through Mr. Hai's local resources and efforts between late 2017 and early 2018, the Group was able to form a task force with the Fujian Welfare Lottery Issuing Centre in 2018 and the Group's project was admitted in the 2018 project list of the local Civil Affairs Department. In view of the substantial expenses and time costs incurred by Mr. Hai in assisting the Group since 2017, the Group agreed to grant the Loan to the Borrower, a company in which Mr. Hai was then an ultimate beneficial owner, in May 2018 to cover and compensate Mr. Hai for the efforts and expenses incurred in developing the Group's video-based lottery business project in Fujian.

As set out in the section headed "Listing Rules Implications and Reasons for Provision of the Loans" in the 2020 Announcement and the section headed "Past Connected Transactions in respect of Extensions and Restructure of the Loan" in this announcement, the management believed that the Grant of Loans would be able to help the Group build and further its business relationship generally in order to explore new business opportunities in the traditional lottery market in Fujian.

Reasons for the Extension Agreements and the Debt Restructuring Agreement

The First Extension Agreement was entered into in 2018 having considered that (i) Mr. Hai needed additional time to perform his work; and (ii) the Group wanted to maintain the loan relationship with Mr. Hai to promote the business development in Fujian. In 2019, the Lender was notified by Mr. Hai that the Borrower was in financial difficulties and it would require additional time to repay the Tranche A Loan and Tranche B loan. At the material time, Mr. Hai has identified a potential business opportunity. As a result, the Lender entered into the Second Extension Agreement and the Third Extension Agreement to maintain an amicable business relation with the Borrower to obtain repayment, if any, and further the development of the business project.

Subsequently, due to (i) the new regulations promulgated in the PRC regarding the lottery market which rendered the potential video-based lottery business project in Fujian unlikely to materialize; and (ii) the Group was notified by Mr. Hai of the Borrower's financial difficulties in repaying the outstanding amount under the Loan Agreement, the Lender and the Borrower entered into negotiation on debt restructuring plan in order to recoup as much outstanding amount under the Loan Agreement as possible, and entered into the Debt Restructuring Agreement.

The terms of each of the Extension Agreements and the Debt Restructuring Agreement were agreed by the Lender and the Borrower after arm's length negotiations taking into account (i) the then potential business opportunity identified by Mr. Hai; (ii) the then financial position of the Borrower; and (iii) the Group was minded to maintain the amicable business relationship with Mr. Hai in the hope to obtain repayment, if any, and further the video-based lottery project.

Having considered the reasons and benefits as set out above, the Directors (including the independent non-executive Directors) are of the view that each of the Extension Agreements and the Debt Restructuring Agreement was (i) fair and reasonable; (ii) on normal commercial terms which were negotiated on an arm's length basis; and (iii) in the interests of the Company and the Shareholders as a whole.

RATIFICATION AND REMEDIAL ACTIONS TO BE TAKEN BY THE COMPANY

The Company regrets for the above inadvertence. The Company has taken prompt actions to investigate the relevant historical advance and extensions of the Loan and the change of ownership of the Borrower and Mr. Sha, and to comply with the requirements of the Listing Rules by disclosing the relevant transactions in this announcement. To adhere to prudent corporate governance practice, the Directors have confirmed, approved and ratified each of the Extension Agreements and the Debt Restructuring Agreement and the publication of this announcement.

The Company is committed to taking remedial actions to strengthen its internal control procedures with a view to ensuring a thorough understanding and full compliance with the relevant requirements of the Listing Rules and preventing a recurrence of similar events in the future, including the following:

1. strengthen the internal control of the Group, including enhancing internal communication and coordination among the management and relevant staff members of the Group in identifying and monitoring notifiable and/or connected transactions of the Group, performing procedures in identifying the ultimate beneficial owners of the contract parties before entering into a significant contract; and
2. request the relevant personnel, including the executive Directors and senior management of the Company, to attend compulsory training sessions, in particular, on general disclosure obligations under the Listing Rules, corporate governance, compliance and changes in the Listing Rules.

DEFINITIONS

In this announcement, in addition to terms defined above, the following expressions shall have the following meanings, unless the context requires otherwise:

“2020 Announcement”	the announcement of the Company dated 31 August 2020 in relation to, among other things, the impairment on certain loan receivables then owing to the Group as at FY2019
“Board”	the board of Directors of the Company
“Borrower”	Zhongrong Green Financial Leasing Co., Ltd.* (中融綠色融資租賃有限公司), a company incorporated in the PRC with limited liability
“Company”	China Ecotourism Group Limited (stock code: 1371), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Debt Restructuring Agreement”	the debt restructuring agreement dated 31 December 2020 made between the Lender and the Borrower relating to the restructuring of the Loan outstanding debt upon and subject to the terms and conditions therein stated
“Directors”	the directors of the Company
“Extension Agreements”	collectively, the First Extension Agreement, the Second Extension Agreement and the Third Extension Agreement, and each an “Extension Agreement”
“First Extension Agreement”	the first extension agreement dated 27 November 2018 made between the Lender and the Borrower relating to, among others, the extension of the maturity date of the Tranche B Loan upon and subject to the terms and conditions therein stated
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of the Company and the connected persons
“Initial Loan Agreement”	the loan agreement dated 18 May 2018 made between the Lender as lender and the Borrower as borrower in relation to the provision of the Loan by the Lender to the Borrower, as amended and/or supplemented by the First Extension Agreement, the Second Extension Agreement, the Third Extension Agreement and the Debt Restructuring Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Gao”	Mr. Gao Rihui, a then ultimate beneficial owner of 35% equity interest in the Borrower when the Loan was granted in May 2018 until the First Acquisition
“Mr. Hai”	Mr. Hai Shixun, a then ultimate beneficial owner of the Borrower when the Loan was granted in May 2018 until the Second Acquisition
“Mr. Sha”	Mr. Sha Tao, the spouse of Ms. Donna Chan
“Ms. Chan”	Ms. Chan Tan Na, Donna, an executive Director and the chairperson of the Board as at the date of this announcement
“Ms. Dou”	Ms. Dou Jiayi, the ultimate beneficial owner of 25% equity interest in the Borrower when the Loan was granted in May 2018 and up to the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Lender”	Guangzhou Three Rings Yongxin Technology Company Limited* (廣州市三環永新科技有限公司), a company incorporated in the PRC with limited liability and a subsidiary of the Company
“Second Extension Agreement”	the second extension agreement dated 11 September 2019 made between the Lender and the Borrower relating to, among others, the further extension of the maturity date of the Tranche A Loan upon and subject to the terms and conditions therein stated
“Shareholder(s)”	holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Third Extension Agreement”	the third extension agreement dated 27 November 2019 made between the Lender and the Borrower relating to, among others, the further extension of the maturity date of the Tranche B Loan upon and subject to the terms and conditions therein stated
“%”	per cent

By order of the Board
China Ecotourism Group Limited
CHAN Tan Na, Donna
Chairperson

Hong Kong, 21 July 2022

As at the date of this announcement, the Board comprises Ms. CHAN Tan Na, Donna, Mr. WU Jingwei, Mr. DI Ling and Mr. QIU Peiyuan as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Dr. MENG Zhijun as Independent Non-executive Directors.

**For identification purpose only*