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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)

CHANGE IN USE OF PROCEEDS

Reference is made to (i) the circular of the China Ecotourism Group Limited (the “Company”, together with its subsidiaries, the “Group”) dated 14 April 2021 (the “Circular”) and the prospectus of the Company dated 21 May 2021 (the “Prospectus”) in relation to the Rights Issue and the Placing; (ii) the announcement of the Company dated 28 July 2022 (the “Announcement”) in relation to the updates on the amounts utilised regarding the net proceeds (after deducting the relevant expenses) from the Rights Issue and the Placing (the “Updated Issue”); and (iii) the 2022 interim report of the Company dated 19 August 2022 in relation to the Updated Issue. Unless otherwise defined, terms used herein shall bear the same meanings as defined in the Circular, the Prospectus and the Announcement.

CHANGE IN USE OF PROCEEDS

The net proceeds (after deducting the relevant expenses) from the Rights Issue and the Placing were approximately HK\$199.40 million (the “Net Proceeds”). As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$39.60 million (the “Unutilised Net Proceeds”). The Board has resolved to change the use of the Unutilised Net Proceeds as follows:

Intended use	Approximate amount of Net Proceeds <i>HK\$'million</i>	Approximate amount utilised as at the date of this announcement <i>HK\$'million</i>	Approximate amount unutilised as at the date of this announcement <i>HK\$'million</i>	Proposed change of use of the Unutilised Net Proceeds	Approximate amount revised allocation of the Unutilised Net Proceeds <i>HK\$'million</i>
(a) partial repayment of the New Option 1 Bonds	80.00	40.40	39.60	General working capital of the Group	-
(b) partial repayment of an existing bank borrowing (including interest)	30.00	30.00	0.00	Not applicable	-
(c) Set-Off	50.00	50.00	0.00	Not applicable	-
(d) general working capital of the Group	39.40	39.40	0.00	Not applicable	39.60
Total:	199.40	159.80	39.60		39.60

The Unutilised Net Proceeds are expected to be utilised during the year ended 31 December 2022. Save for the aforesaid changes, there is no other change in use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF NET PROCEEDS

The Group is a provider of technology and operation services for lottery systems, terminal equipment and gaming products in the China's lottery market. In addition to new retail operation, the Group is vigorously expanding the ecotourism services and driving its development towards ecotourism operation. On the other hand, the Group is also enhancing the brand recognition and awareness as well as developing the self-operated mobile application and online platform for the sales of natural and health food.

Having considered that (i) the maturity date of the New Option 1 Bonds has been extended to 7 November 2023; (ii) the Group is vigorously expanding the ecotourism business; and (iii) the development of self-operated mobile application and online platform for natural and health food business, which include but not limited to the broadening of existing customer base and products variety, and further enhancement of the platform system and technology upgrade. In the long run, the Board believed that it is in the best interests of the Group to allocate the Unutilised Net Proceeds for "general working capital of the Group" for the development of its businesses and to cope with the recent economic uncertainty.

The Board confirms that there are no material changes in the nature of the business of the Group as set out in the Prospectus. The Board considers the above change in the use of the Net Proceeds is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the shareholders of the Company as a whole.

The Board will continuously assess the plan for the use of the Unutilised Net Proceeds and may revise or amend such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

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

Hong Kong, 9 November 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.