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If you have sold or transferred all your shares in China Ecotourism Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.



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)

**SHARE CONSOLIDATION;
SUBSCRIPTION OF NEW CONSOLIDATED SHARES
UNDER SPECIFIC MANDATE;
AND
NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of China Ecotourism Group Limited to be held at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong at 10:30 a.m. on Wednesday, 18 January 2023 is set out on pages 19 to 21 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same to the principal place of business of the Company at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong as soon as possible and in any event not later than 48 hours (i.e. 10:30 a.m. on Monday, 16 January 2023 (Hong Kong time)) before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and deposit of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

To safeguard the health and safety of Shareholders and to prevent the spreading of the novel coronavirus (COVID-19) pandemic, the following precautionary measures will be implemented at the special general meeting of the Company:

1. all participants shall be subject to compulsory body temperature check at the entrance of the special general meeting venue and anyone with abnormal body temperature will be denied entry into the venue;
2. all participants are required to wear facial surgical masks appropriately in the special general meeting venue at all times and particularly during the whole process of the special general meeting; and
3. no provision of gifts and refreshments.

Attendees who do not comply with the precautionary measures referred to in (1) to (2) above may be denied entry to the special general meeting venue. For the health and safety of Shareholders, the Company strongly recommends Shareholders NOT to attend the special general meeting in person, and advises Shareholders to appoint the Chairman of the special general meeting as their proxy to vote according to their indicated voting instructions as an alternative to attending the special general meeting in person.

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“Business Day(s)”	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
“Bye-laws”	the memorandum of association and new bye-laws of the Company as amended, supplemented or modified from time to time
“CCASS”	the Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system, which is established and operated by the HKSCC
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Company”	China Ecotourism Group Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	the completion of the Subscription in accordance with the terms and conditions set out in the Subscription Agreement
“Consolidated Share(s)”	ordinary shares of HK\$0.50 each in the share capital of the Company immediately after the Share Consolidation becoming effective
“Director(s)”	the director(s) of the Company
“Effective Date”	the date on which the Share Consolidation shall become effective, being the second Business Day after the date of passing of the ordinary resolution approving the Share Consolidation at the SGM
“Existing Share(s)”	ordinary shares of HK\$0.025 each in the share capital of the Company before the Share Consolidation becomes effective

DEFINITIONS

“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Latest Practicable Date”	19 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange (as amended from time to time)
“New Option 1 Bonds”	the convertible bonds due 7 November 2023 issued by the Company, the outstanding, principal amount of which as at the Latest Practicable Date is HK\$154,162,000, as amended from time to time
“Notice of Special General Meeting”	the notice to convene the Special General Meeting dated 29 December 2022
“Share Consolidation”	the share consolidation of every twenty (20) issued and unissued Existing Shares into one (1) Consolidated Share
“Share(s)”	Existing Share(s) and/or Consolidated Share(s), as the case may be
“Shareholder(s)”	registered holders of the Existing Share(s) or the Consolidated Share(s), as the case may be
“Specific Mandate”	the specific mandate to be obtained from the Shareholders at the SGM to allot and issue the Subscription Shares to the Subscriber and/or its nominee pursuant to the Subscription Agreement

DEFINITIONS

“Special General Meeting” or “SGM”	the special general meeting of the Company to be held at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong at 10:30 a.m. on Wednesday, 18 January 2023
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Power Partner Capital Limited, a company incorporated in Hong Kong with limited liability
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the Subscription Agreement dated 8 December 2022, entered into between the Company and the Subscriber
“Subscription Completion Date”	a day within the five Business Day (or such other time and/or date as the Company and Subscriber may agree in writing) after the satisfaction of the conditions precedent of the Subscription Agreement
“Subscription Price”	HK\$0.80 per Subscription Share
“Subscription Share(s)”	a total of 43,750,000 new Consolidated Shares to be issued pursuant to the Subscription
“%”	per cent.

EXPECTED TIMETABLE

The expected timetable for the Share Consolidation is set out as follows:

Event	Time and Date
Latest date and time for lodging transfer documents in order to qualify for attending and voting at the SGM	4:30 p.m. on Friday, 13 January 2023
Closure of the register of members for the entitlement to attend and vote at the SGM	Monday, 16 January 2023 to Wednesday, 18 January 2023 (both days inclusive)
Latest date and time for lodging the proxy forms for the SGM.....	10:30 a.m. on Monday, 16 January 2023
Date and time of the SGM.....	10:30 a.m. on Wednesday, 18 January 2023
Publication of announcement of voting results of the SGM	Wednesday, 18 January 2023
The following events are conditional upon the fulfilment of the conditions of the Share Consolidation.	
Effective date of the Share Consolidation	Friday, 20 January 2023
Dealing in the Consolidated Shares commence	9:00 a.m. on Friday, 20 January 2023
First day for free exchange of existing share certificates for new share certificates for the Consolidated Shares.....	Friday, 20 January 2023
Original counter for trading in the Existing Shares in board lots of 10,000 Existing Shares temporarily closes.....	9:00 a.m. on Friday, 20 January 2023

EXPECTED TIMETABLE

Event	Time and Date
Temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) opens.....	9:00 a.m. on Friday, 20 January 2023
Original counter for trading in the Consolidated Shares in board lots of 10,000 Consolidated Shares (in the form of new share certificates) re-opens	9:00 a.m. on Wednesday, 8 February 2023
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) commences	9:00 a.m. on Wednesday, 8 February 2023
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares	9:00 a.m. on Wednesday, 8 February 2023
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares	4:00 p.m. on Tuesday, 28 February 2023
Temporary counter for trading in the Consolidated Shares in board lots of 500 Consolidated Shares (in the form of existing share certificates) closes	4:10 p.m. on Tuesday, 28 February 2023
Parallel trading in the Consolidated Shares (in form of new share certificates and existing share certificates) ends.....	4:10 p.m. on Tuesday, 28 February 2023
Last day for free exchange of existing share certificates for new share certificates for the Consolidated Shares.....	4:30 p.m. on Thursday, 2 March 2023

LETTER FROM THE BOARD



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)

Executive Directors

Ms. CHAN Tan Na, Donna (*Chairperson*)
Mr. WU Jingwei
Mr. DI Ling
Mr. QIU Peiyuan

Independent Non-Executive Directors

Mr. HUANG Shenglan
Mr. CHAN Ming Fai
Dr. MENG Zhijun

Registered office

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

**Head office and principal
place of business**

Unit 1801, 18th Floor
Landmark South
39 Yip Kan Street
Wong Chuk Hang
Hong Kong

29 December 2022

To the Shareholders

Dear Sir or Madam,

**SHARE CONSOLIDATION;
SUBSCRIPTION OF NEW CONSOLIDATED SHARES
UNDER SPECIFIC MANDATE;
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 8 December 2022 and 21 December 2022 in relation to the proposed Share Consolidation and the Subscription. The purpose of this circular is to provide you with the information on the resolutions to be proposed at the Special General Meeting relating to the Share Consolidation; the Subscription; and the notice of the SGM.

LETTER FROM THE BOARD

SHARE CONSOLIDATION

The Board proposes to implement the Share Consolidation on the basis that every twenty (20) issued and unissued Existing Shares will be consolidated into one (1) Consolidated Share.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon the following conditions:

- (i) the passing of an ordinary resolution to approve the Share Consolidation by the Shareholders at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Consolidated Shares.

Subject to the satisfaction of all the above conditions, it is expected that the Share Consolidation will become effective on the Effective Date, being the second Business Day after the date of passing of the ordinary resolution approving the Share Consolidation at the SGM.

Effects of the Share Consolidation

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$125,000,000 divided into 5,000,000,000 Existing Shares with par value of HK\$0.025 each.

Upon the Share Consolidation becoming effective and assuming that no changes on the authorized share capital of the Company from the Latest Practicable Date until the Effective Date, the authorised share capital of the Company will become HK\$125,000,000 divided into 250,000,000 Consolidated Shares with par value of HK\$0.50 each.

As at the Latest Practicable Date, 3,088,442,199 Existing Shares have been issued. Assuming no further Existing Shares will be issued nor Existing Shares will be repurchased from the Latest Practicable Date until the Effective Date, immediately upon the Share Consolidation becoming effective, 154,422,109 Consolidated Shares will be in issue.

Status of the Consolidated Shares

Upon the Share Consolidation becoming effective, the Consolidated Shares shall rank *pari passu* in all respects with each other. Other than the expenses to be incurred in relation to the Share Consolidation, the implementation of the Share Consolidation will not alter the underlying assets, business operations, management or financial position of the Company or the shareholdings, proportionate interests or rights of the Shareholders, save for any fractional Consolidated Shares to which Shareholders may be entitled.

LETTER FROM THE BOARD

Listing application

An application has been made by the Company to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective.

Subject to the granting of listing of, and permission to deal in, the Consolidated Shares on the Stock Exchange upon the Share Consolidation becoming effective, as well as compliance with the stock admission requirements of the HKSCC, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares to be admitted into CCASS established and operated by HKSCC.

None of the Existing Shares are listed or dealt in on any other stock exchanges other than the Stock Exchange, and at the time when the Share Consolidation becoming effective, the Consolidated Shares in issue will not be listed or dealt in on any stock exchange other than the Stock Exchange, and no such listing or permission to deal is being or is proposed to be sought.

Fractional entitlement to Consolidated Shares

Fractional Consolidated Shares arising from the Share Consolidation, if any, will be disregarded and will not be issued to the Shareholders but all such fractional Consolidated Shares will be aggregated and, if possible, sold for the benefit of the Company. Fractional Consolidated Shares will only arise in respect of the entire shareholding of a holder of the Existing Shares regardless of the number of share certificates held by such holder.

Arrangement on odd lot trading

In order to facilitate the trading of odd lots of the Consolidated Shares arising from the Share Consolidation, the Company appointed Computershare Hong Kong Investor Services Limited to provide a matching service, on a best efforts basis, to those Shareholders who wish to acquire odd lots of the Consolidated Shares to make up a full board lot, or to dispose of their holding of odd lots of the Consolidated Shares during the period from 9:00 a.m. on Wednesday, 8 February 2023 to 4:00 p.m. on Tuesday, 28 February 2023.

Shareholders who wish to take advantage of this facility should contact Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or at telephone number (852) 2862 8555 during office hours (i.e. 9:00 a.m. to 4:30 p.m. within such period). Holders of the Shares who would like to match odd lots are recommended to make an appointment in advance by dialing the telephone number of Computershare Hong Kong Investor Services Limited set out above.

LETTER FROM THE BOARD

Holders of odd lots of the Consolidated Shares should note that the matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Shareholders who are in any doubt about the odd lots matching arrangement are recommended to consult their own professional advisers.

Exchange of share certificates

Subject to the Share Consolidation becoming effective, which is currently expected to be on Friday, 20 January 2023, being the second Business Day after the date of the SGM, the Shareholders may during the period from Friday, 20 January 2023 to Thursday, 2 March 2023 (both days inclusive) submit existing share certificates for the Existing Shares (in the colour of green) to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, to exchange for new share certificates for the Consolidated Shares (in the colour of purple) at the expense of the Company.

Thereafter, share certificates for the Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever is higher.

After 4:10 p.m. on Tuesday, 28 February 2023, trading will only be in Consolidated Shares. Share certificates for the Existing Shares will remain effective as documents of title and may be exchanged for share certificates for the Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

Adjustments in relation to other securities of the Company

As at the Latest Practicable Date, the Company has outstanding convertible bonds, i.e. New Option 1 Bonds, in the aggregate principal amount of HK\$154,162,000 entitling the holder thereof to subscribe for up to an aggregate of 91,220,118 Shares. Details of which may refer to the announcements of the Company dated 10 March 2017, 16 March 2017, 24 March 2017, 7 April 2017, 7 November 2017, 26 April 2018, 22 March 2019, 28 March 2019, 1 November 2019, 4 November 2019, 23 April 2020, 28 April 2020, 27 April 2021, 3 May 2021, 10 June 2021, 1 November 2021, 3 November 2021, 4 May 2022 and 5 May 2022 relating to the New Option 1 Bonds.

As at the Latest Practicable Date, assuming full conversion of the New Option 1 Bonds, an aggregate of 91,220,118 conversion shares of the Company may be issued by the Company pursuant to the general mandate granted to the Directors on 16 June 2021.

Pursuant to the terms and conditions of the New Option 1 Bonds (being the Convertible Bonds due 2023), if there shall be an alteration to the nominal value of the Shares as a result of consolidation, the conversion price of New Option 1 Bonds (the "Conversion Price") shall be adjusted pursuant to the terms and conditions of the New Option 1 Bonds and shall become effective on the date the alteration takes effect.

LETTER FROM THE BOARD

Under condition 6(C)(1) of the terms and conditions of the New Option 1 Bonds, an adjustment is made to the Conversion Price as a result of the Share Consolidation. The Conversion Price, currently HK\$1.69 per Share, will be adjusted to HK\$33.80 per Consolidated Share on Effective Date. With reference to the total outstanding principal amount of the New Option 1 Bonds of HK\$154,162,000 at the Latest Practicable Date, the maximum number of Shares that will be issued upon conversion of all the outstanding New Option 1 Bonds at the previous Conversion Price and the adjusted Conversion Price is 91,220,118 Existing Shares and 4,561,005 Consolidated Shares respectively. The Company will make further announcement(s) on such adjustments in due course.

Save for the aforesaid, the Company has no outstanding options, warrants or securities in issue which are convertible or exchangeable into Existing Shares or Consolidated Shares, as the case may be, as at the Latest Practicable Date.

REASONS FOR THE SHARE CONSOLIDATION

According to the rule 13.64 of the Listing Rules, where the market price of the securities of the issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the Stock Exchange reserves the right to require the issuer either to change the trading method or to proceed with a consolidation or splitting of its securities. The “Guide on Trading Arrangements for Selected Types of Corporate Actions” issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and updated on 1 October 2020 has further stated that (i) market price of the Shares at a level less than HK\$0.1 each will be considered as trading at extremity as referred to under Rule 13.64 of the Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected value per board lot should be greater than HK\$2,000.

Having considered the guidance from the Stock Exchange as mentioned above and that the Shares had been traded at below HK\$0.10 and the existing board lot value has been less than HK\$2,000 based on the closing price of HK\$0.04 per Share as quoted on the Stock Exchange as at the Latest Practicable Date, the Board considers the trading in the Shares is at extremity and concludes that it is appropriate to conduct the Share Consolidation.

The Company has been actively exploring investment opportunities as well as expanding its existing businesses. Re-occurrence of any non-compliance with the aforesaid trading requirements of the Listing Rules may hinder future fund raising activities for the Group’s investment and expansion plans. Taking into account the market volatility and the Subscription, the Board is of the view that, as compared to lower ratios, the proposed ratio of 20 Existing Shares into 1 Consolidated Share pursuant to the Share Consolidation is the optimal ratio to provide sufficient flexibility for the Group’s business planning. The Board considers that the Share Consolidation, resulting in HK\$0.80 per Consolidated Share (based on the current closing price of HK\$0.04 per Existing Share as at the Latest Practicable Date), would enable the Company to avoid the occurrence of non-compliance with the trading requirements under the Listing Rules. Accordingly, the Share Consolidation will bring about a corresponding upward adjustment in the trading price per Consolidated Share on the Stock Exchange, which will reduce the overall transaction and handling costs of dealings in each board

LETTER FROM THE BOARD

lot of the Consolidated Shares, since most of the bank/securities houses will charge a minimum transaction cost for each securities trade. As a result, the Share Consolidation would not only enable the Company to comply with the trading requirements under the Listing Rules, but would also attract more investors as well as institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the Shareholders' base. It is also expected that the liquidity in trading of Shares will increase accordingly.

It is expected that the Share Consolidation will increase the value of each board lot of the Consolidated Shares to more than expected minimum board lot of HK\$2,000 as required by the guidance from the Stock Exchange. The Share Consolidation allows the Company to conduct fund raising activities and improve the cash flow and gearing of the Company. In view of the above reasons, the Company considers the Share Consolidation is justifiable notwithstanding of the potential costs and negative impact arising from creation of odd lots to Shareholders. Accordingly, the Board is of the view that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Share Consolidation and save for the Subscription, the Company does not have any other concrete plan or arrangement to conduct any other fund raising activities in the next 12 months. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising and/or investment opportunities arise in order to meet its operational needs or support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

NO CHANGE IN BOARD LOT SIZE

The Existing Shares are currently traded on the Stock Exchange in board lot size of 10,000 Existing Shares. Upon the Share Consolidation becoming effective, the board lot size for trading in the Consolidated Shares will remain unchanged at 10,000 Consolidated Shares per board lot. Based on the closing price of HK\$0.04 per Existing Share (equivalent to the theoretical closing price of HK\$0.80 per Consolidated Share) as at the Latest Practicable Date, (i) the value per board lot of 10,000 Existing Shares is HK\$400; and (ii) the value per board lot of 10,000 Consolidated Shares would be HK\$8,000 on the assumption that the Share Consolidation becomes effective.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

Date : 8 December 2022 (after trading hours)

Parties

Issuer : the Company

Subscriber : Power Partner Capital Limited (or its nominee)

The Subscriber is a corporation which is owned as to 90% by WANG Zixi and 10% by HE Fang and its nature of business is investment holding. The ultimate beneficial owners of the Subscriber are Wang Zixi and HE Fang whom are a merchant. To the best of the knowledge and belief of the Directors, the Subscriber and its ultimate beneficial owners are an independent third party and are not a connected person of the Company (as defined in the Listing Rules) as at the date of the Subscription Agreement.

Subscription Shares

Pursuant to the terms of the Subscription Agreement, the Subscriber and/or its nominee has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 43,750,000 Subscription Shares at the Subscription Price of HK\$0.80 per Subscription Share.

Upon the Share Consolidation becoming effective and assuming that no Existing Shares are issued or bought back from the Latest Practicable Date until the effective date of the Share Consolidation, not more than 154,422,109 Consolidated Shares will be in issue. Assuming that the Company has a total of 154,422,109 issued Consolidated Shares upon the Share Consolidation becoming effective, the Subscription Shares, being 43,750,000 new Consolidated Shares, represent (i) approximately 28.33% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective; and (ii) approximately 22.08% of the total number of issued Consolidated Shares upon the Share Consolidation becoming effective and as enlarged by the allotment and issue of the Subscription Shares immediately upon Completion (assuming there being no other change in the issued share capital of the Company from the Latest Practicable Date and up to the Completion, save for the Share Consolidation and the issue and allotment of the Subscription Shares).

Assuming that the Company has a total of 154,422,109 issued Consolidated Shares upon the Share Consolidation becoming effective, upon Completion, the Subscriber will own approximately 22.08% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscriber will become a substantial shareholder (as defined in the Listing Rules) and hence a connected person (as defined in the Listing Rules) of the Company.

LETTER FROM THE BOARD

Subscription Price

The Subscription Price of HK\$0.80 per Subscription Share represents:–

- (a) a discount of approximately 28.57% to the theoretical closing price of HK\$1.12 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange on 8 December 2022, being the date of the Subscription Agreement;
- (b) a discount of approximately 4.76% to the theoretical average closing price of approximately HK\$0.84 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the average closing price of approximately HK\$0.042 per Existing Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the Subscription Agreement;
- (c) no discount to the theoretical closing price of HK\$0.80 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.04 per Existing Share as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (d) a premium of approximately 23.08% to the adjusted consolidated net asset value per Consolidated Share of approximately HK\$0.65 (after taking into account the effect of the Share Consolidation and based on the consolidated net asset value of the Company as at 31 December 2021 of approximately HK\$100,228,000 and 154,422,109 issued Consolidated Shares after the Share Consolidation has become effective).

The market value of the Subscription Shares is approximately HK\$49,000,000, based on the theoretical closing price of HK\$1.12 per Consolidated Share (after taking into account the effect of the Share Consolidation) based on the closing price of HK\$0.056 per Existing Share as quoted on the Stock Exchange on 8 December 2022, being the date of the Subscription Agreement. Each Subscription Share has par value of HK\$0.50 after the Share Consolidation becoming effective.

The Subscription Price was arrived at after arm's length negotiation by the Company, taking into account uncertainty of economic and current market conditions and the steady trading closing price around HK\$0.04 of the Shares (equivalent to the theoretical closing price of HK\$0.80 per Consolidated Share) as quoted on the Stock Exchange for a month prior to the date of the Subscription Agreement. The Directors considered the Subscription Price is fair and reasonable as far as the Company is concerned.

Consideration

The Consideration was paid on the next Business Day immediately following the date of the Subscription Agreement. If the resolutions regarding the Share Consolidation and the Subscription were not passed at the SGM, the Company will return the Consideration with nil interest to the Subscriber within 5 Business Days after the date of the SGM.

LETTER FROM THE BOARD

Ranking of the Subscription Shares

The Subscription Shares shall, when fully paid, rank pari passu in all respects among themselves and with all the Shares in issue on the date of the Subscription Completion Date.

Conditions of the Subscription

Completion of the Subscription is conditional upon the following:

- (a) the passing of the resolution(s) at the SGM by the Shareholders to approve the Subscription Agreement and the transactions contemplated thereunder, including the granting of the Specific Mandate to allot and issue the Subscription Shares;
- (b) the Listing Committee granting the listing of and permission to deal in the Subscription Shares; and
- (c) the Share Consolidation having become effective and the dealing in the Consolidated Shares having commenced.

The Company has applied to the Listing Committee for listing of and permission to deal in the Subscription Shares. The Subscription Agreement does not provide for any party to waive the above condition.

If the above conditions are not satisfied on or before 10 February 2023, or such other date as may be agreed by the Subscriber and the Company, all rights, obligations and liabilities of the Subscriber and the Company under the Subscription Agreement will cease and determine and neither party shall have any claim against each other save for antecedent breaches.

Completion of the Subscription

Completion of the Subscription is expected to take place within five Business Days after the date upon which the last condition to be satisfied has been so satisfied, or if applicable, waived by the Subscriber (or such other time and/or date as the Company and the Subscriber may agree in writing).

Specific Mandate

The Subscription will be allotted and issued under the Specific Mandate which will be sought from the Shareholders at the SGM.

LETTER FROM THE BOARD

EFFECTS ON SHAREHOLDING

The following table sets out the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Share Consolidation becoming effective, assuming that the Company has a total of 154,422,109 issued Consolidated Shares upon the Share Consolidation becoming effective; and (iii) immediately after the Share Consolidation becoming effective and completion of the Subscription, assuming that, save for the Share Consolidation and the allotment and issue of the Subscription Shares, there being no other change in the issued share capital and shareholding structure of the Company from the Latest Practicable Date and up to the Completion):

	As at the Latest Practicable Date		Immediately after the Share Consolidation becoming effective		Immediately after the Share Consolidation becoming effective and completion of the Subscription	
	<i>Existing Shares</i>	<i>%</i>	<i>Consolidated Shares</i>	<i>%</i>	<i>Consolidated Shares</i>	<i>%</i>
Ms. LAU Ting and her associates (<i>Note 1</i>)	1,100,655,686	35.64	55,032,784	35.64	55,032,784	27.77
Mr. CHAN Shing (<i>Note 2</i>)	89,271,455	2.89	4,463,572	2.89	4,463,572	2.25
Ms. CHAN Tan Na Donna (<i>Note 3</i>)	85,936,000	2.78	4,296,800	2.78	4,296,800	2.17
Mr. WU Jingwei (<i>Note 3</i>)	24,660,000	0.80	1,233,000	0.80	1,233,000	0.62
Mr. QIU Peiyuan (<i>Note 3</i>)	39,110,000	1.27	1,955,500	1.27	1,955,500	0.99
Mr. HUANG Shenglan (<i>Note 4</i>)	110,000	0.01	5,500	0.01	5,500	0.01
The Subscriber	0	0	0	0	43,750,000	22.08
Public Shareholders	1,748,699,058	56.61	87,434,953	56.61	87,434,953	44.11
Total	<u>3,088,442,199</u>	<u>100.00</u>	<u>154,422,109</u>	<u>100.00</u>	<u>198,172,109</u>	<u>100.00</u>

LETTER FROM THE BOARD

Notes:

1. 1,028,127,586 shares beneficially owned by Ms. Lau Ting (“Ms. Lau”). For the corporate interests, 7,505,287 shares were held by Hang Sing Overseas Limited which was wholly owned by Ms. Lau. 13,773,554 shares were held by Strong Purpose Corporation (“Strong Purpose”), a company which was wholly-owned by Ms. Lau and Mr. Chan Shing (“Mr. Chan”). 51,249,259 shares were held by Glory Add Limited (“Glory Add”) which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. Lau and Mr. Chan.
2. 24,248,642 shares beneficially owned by Mr. Chan. For the corporate interests, 13,773,554 shares were held by Strong Purpose, a company which was wholly-owned by Ms. Lau and Mr. Chan. 51,249,259 shares were held by Glory Add which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. Lau and Mr. Chan.
3. Being executive Directors.
4. Being independent non-executive Director.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The gross proceeds from the Subscription will be HK\$35,000,000 and the net proceeds from the Subscription, after deduction of the relevant expenses, will amount to approximately HK\$34,500,000, representing a net subscription price of approximately HK\$0.79 per Subscription Share. The Subscription will enable the Company to strengthen the financial position of the Company. The intended use of the proceeds will be fully for repayment of second mortgage loan for an amount of HK\$35,000,000 and the relevant expenses of approximately HK\$500,000 for the Subscription will be financed by internal general working capital.

The second mortgage loan of HK\$35,000,000 was a short-term facilities loan granted by a finance company (the “Lender”) to Goldwide Limited (“Goldwide”), a wholly-owned subsidiary of the Company, of which the loan was secured by, amongst others, the second legal mortgage to charge the property situated in Wanchai, Hong Kong owned by Goldwide in favor of the Lender as security for the repayment of the said facilities and the interest thereon. Such loan was due on 9 December 2022. The Company has been actively exploring alternative loan facilities to replace the second mortgage loan. However, the Board considers that the existing prevailing interest rate for the Company is high and is not justifiable. As a result, the Board considers it is more beneficial to settle the second mortgage loan using the funds raised from the Subscription.

As at 30 June 2022, the Group’s gearing ratio was approximately 98.2%, as calculated by the unaudited total liabilities over total assets of the Group. After the completion of the Subscription, the Group’s total liabilities are expected to be decreased by the amount of gross proceeds from the Subscription and the gearing ratio of the Group would be decreased to 92% if the Subscription has been taking place as at 30 June 2022.

LETTER FROM THE BOARD

The Directors are of the view that the Subscription represents reducing the Group's gearing ratio and improving the Group's financial position. Accordingly, the Directors consider that the Subscription is fair, reasonable and in the best interests of the Company and its shareholders as a whole.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not raised any funds by way of issue of Shares in the past twelve months before the Latest Practicable Date.

SPECIAL GENERAL MEETING

The Notice of Special General Meeting is set out on pages 19 to 21 of this circular and a form of proxy for the Special General Meeting is enclosed. Whether or not you intend to be present at the Special General Meeting, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same to the principal place of business of the Company at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong as soon as possible, and in any event, not less than 48 hours (i.e. 10:30 a.m. on Monday, 16 January 2023 (Hong Kong time)) before the time appointed for holding of the Special General Meeting or any adjournment thereof (as the case may be). Completion and deposit of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting or any adjournment thereof (as the case may be) should you so wish.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the SGM, the register of members of the Company will be closed from Monday, 16 January 2023 to Wednesday, 18 January 2023, both dates inclusive, during which period no transfer of Existing Shares will be registered. In order to be eligible to attend and vote at the SGM, unregistered holders of Existing Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Friday, 13 January 2023.

VOTING BY POLL

Under Rule 13.39(4) of the Listing Rules, vote(s) of shareholders at general meeting(s) must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, poll shall be demanded for all resolutions put to vote at the forthcoming Special General Meeting.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders have a material interest in the Share Consolidation, the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate and accordingly, no Shareholders is required to abstain from voting on the ordinary resolutions at the SGM.

LETTER FROM THE BOARD

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular 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 circular misleading.

RECOMMENDATION

The Board considers that the Share Consolidation and the Subscription are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends that all the Shareholders should vote in favour of the relevant resolutions at the Special General Meeting.

Yours faithfully,
For and on behalf of the Board
China Ecotourism Group Limited
CHAN Tan Na, Donna
Chairperson

NOTICE OF SPECIAL GENERAL MEETING



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)

Notice is hereby given that the special general meeting of China Ecotourism Group Limited (the “Company”) will be held at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong at 10:30 a.m. on Wednesday, 18 January 2023 for the following purposes of considering and, if thought fit, passing with or without amendments, the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “**THAT** subject to and conditional upon, among others, the granting by the Listing Committee of Stock Exchange the listing of, and permission to deal in, the Consolidated Shares (as defined below) to be in issue upon the Share Consolidation becoming effective:
 - (a) with effect from the second business day after the date of passing of this resolution, every twenty (20) existing issued and unissued ordinary shares of a par value of HK\$0.025 each in the share capital of the Company be and are hereby consolidated into one (1) consolidated ordinary share of a par value of HK\$0.50 (each a “Consolidated Share”) (the “Share Consolidation”) such that the authorised share capital of the Company shall be changed from HK\$125,000,000 divided into 5,000,000,000 shares of par value of HK\$0.025 each to HK\$125,000,000 divided into 250,000,000 Consolidated Shares of par value of HK\$0.50 each;
 - (b) all of the Consolidated Share(s) shall rank *pari passu* in all respects with each other and have the rights and privileges and be subject to the restrictions in respect of ordinary shares contained in the memorandum of association and new bye-laws of the Company;
 - (c) all fractional Consolidated Shares resulting from the Share Consolidation will not be given to holders of the same but all such fractional Consolidated Shares will be aggregated and, if possible, sold and retained for the benefit of the Company in such manner on such terms as the directors of the Company (each a “Director”) may think fit; and

NOTICE OF SPECIAL GENERAL MEETING

- (d) any one Director be and is hereby authorized to do all such acts and things and execute and deliver all such documents as may be necessary, desirable or expedient to carry out or give effect to any or all of the foregoing arrangements in respect of the Share Consolidation.”
2. “**THAT** subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 8 December 2022 (the “Subscription Agreement”) entered into between the Company and Power Partner Capital Limited (the “Subscriber”) pursuant to which the Company has agreed to allot and issue and the Subscriber and/or its nominee has agreed to subscribe for 43,750,000 new Consolidated Shares (the “Subscription Shares”) at the subscription price of HK\$0.80 per subscription share:
- (a) the Subscription Agreement and the matters contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) all the transactions contemplated under the Subscription Agreement, including but not limited to the specific mandate to allot and issue the Subscription Shares by the Company to the Subscriber and/or its nominee pursuant to the Subscription Agreement, be and are hereby approved and any one Director be and is hereby authorised to allot and issue the Subscription Shares to the Subscriber and/or its nominee pursuant to the Subscription Agreement under the specific mandate; and
- (c) any one Director be and is hereby authorised to, on behalf of the Company, do all such acts and things and execute any supplemental agreement and all such documents which he/she consider necessary, desirable or expedient for the purpose of, or in connection with the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

By Order of the Board
China Ecotourism Group Limited
WONG Yin Ming
Company Secretary

Hong Kong, 29 December 2022

NOTICE OF SPECIAL GENERAL MEETING

Notes:

1. A shareholder who is the holder of two or more Shares and who is entitled to attend and vote at the special general meeting is entitled to appoint more than one proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. In the event that a shareholder appoints more than one proxy, on a show of hands, all such proxies shall collectively have one vote unless otherwise provided for in the Bye-laws of the Company.
2. If two or more persons are joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the Share.
3. A form of proxy for use at the special general meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited at the principal place of business of the Company at Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong as soon as possible and, in any event, not less than 48 hours (i.e. 10:30 a.m. on Monday, 16 January 2023 (Hong Kong time)) before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and deposit of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof (as the case may be).

In view of the ongoing Coronavirus Disease 2019 (COVID-19) epidemic, the Company strongly recommends Shareholders to exercise your voting rights by appointing the chairperson of the meeting as your proxy to vote on the relevant resolutions at the meeting as an alternative to attending the meeting in person.

4. For determining the entitlement to attend and vote at the special general meeting, the register of members of the Company will be closed from Monday, 16 January 2023 to Wednesday, 18 January 2023, both dates inclusive, during which period no transfer of Existing Shares will be registered. All property completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 13 January 2023 (Hong Kong time).