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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)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE PROPOSED DISPOSAL OF A PROPERTY

THE DISPOSAL

The Board announces that on 5 June 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Provisional Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to dispose of the Property at the Consideration of HK\$309,800,000 upon and subject to the terms and conditions therein stated.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company pursuant to Rule 14.06(4) of the Listing Rules and is, therefore, subject to reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, the Provisional Agreement, the Formal Agreement, if applicable, and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM.

A circular containing, among other things, further information relating to the Disposal, the notice of the SGM and other information is expected to be despatched to the Shareholders on or before 26 June 2023.

Completion of the Disposal is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

The Board announces that on 5 June 2023 (after trading hours), the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Provisional Agreement, pursuant to which the Purchaser has agreed to purchase, and the Vendor has agreed to dispose of, the Property at a total consideration of HK\$309,800,000 upon and subject to the terms and conditions therein stated.

The Provisional Agreement

Set out below are the principal terms of the Provisional Agreement:

Date

5 June 2023

Parties

- (1) Goldwide Limited (豫威有限公司) as Vendor; and
- (2) HK Image Online Limited (香港影像在線有限公司) as Purchaser

Property

The Property to be disposed of is units 7, 8 and 9 and the lavatories adjoining thereto on 33/F., Office Tower, Convention Plaza, No.1 Harbour Road, Hong Kong, with a saleable area of approximately 5,860 sq. ft. It is a non-residential property and is currently vacant. It will be sold on an “as-is” basis free from other encumbrances with vacant possession.

The Property is subject to mortgages which will be repaid through the net proceeds of the Consideration. As at the date hereof, the aggregate outstanding principal amount of bank and other borrowings secured by the mortgages of the Property was approximately HK\$228,100,000. Since the Property will be sold free from encumbrances, the Company has to discharge the mortgages on or before Completion.

Consideration and Payment Terms

The Consideration of HK\$309,800,000 will be payable in the following manner:

- (1) a deposit of HK\$30,980,000 has been paid by the Purchaser to the Vendor upon signing of the Provisional Agreement; and
- (2) the balance payment of the Consideration in the sum of HK\$278,820,000 will be payable by the Purchaser to the Vendor upon Completion, which is scheduled to take place on or before 31 August 2023.

Formal Agreement, which contain more details of the transaction, including representations and warranties of the parties, shall be signed on or before 16 June 2023.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser by reference to the market value of the Property taking into account recent transaction prices for comparable properties in the same area of the Property. The net book value of the Property as at 31 December 2022 is approximately HK\$324,000,000.

The Property has been used as the head office and principal place of business of the Company until the Group vacated the Property and relocated its head office and principal place of business since September 2021. Since the Property is held for own use, there is no net profit attributable to the Property for the two financial years immediately preceding the Disposal.

Condition Precedent

Completion is conditional upon the Shareholders having approved the entering into and implementation of the transactions contemplated under the Provisional Agreement at the SGM.

Failure to perform

Should the Purchaser fail to complete the purchase in the manner contained in the Provisional Agreement, namely, failure to pay the balance payment upon Completion, the deposit paid by the Purchaser shall be forfeited to the Vendor and the Vendor shall be entitled at its sole discretion to sell the Property to anyone as the Vendor thinks fit and the Vendor shall not sue the Purchaser for any liabilities and/or damages caused by the default of the Purchaser under the Provisional Agreement.

Should the Vendor after receiving the deposit paid under the Provisional Agreement fail to complete the sale in the manner contained in the Provisional Agreement, namely, failure to deliver vacant possession of the Property upon Completion, the Vendor shall immediately compensate the Purchaser with a sum equivalent to the amount of the deposit as liquidated damages together with the refund of the deposit and the Purchaser shall not take any further action to claim for damages or to enforce specific performance.

INFORMATION OF THE PURCHASER

The Purchaser is incorporated in Hong Kong with limited liability. To the best of the Directors' knowledge, information and belief having made reasonable enquiries, the principal business activity of the Purchaser is investment holding.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors, having made reasonable enquiries, Mr. Kwok Lung is the ultimate beneficial owner of the Purchaser, which is a third party independent of the Company and its connected persons.

INFORMATION OF THE GROUP AND THE VENDOR

The Group is engaged in the provision of (i) 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 Vendor is an indirect wholly-owned subsidiary of the Company with the principal business of investment holding.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors have been assessing the property market in Hong Kong and reviewing the Group's options over the Property. Having considered that the Property is currently vacant and under-utilised, the Property is not essential for the Group's future operations and therefore the Disposal will not have a material adverse effect on the Group's operations. The Directors believe that the Disposal represents a good opportunity for the Company to realise the value of the Property at a reasonable price and the proceeds from the Disposal will reduce the indebtedness of the Group and future interest expenses and thereby will improve the financial position of the Group.

The Directors consider that the Disposal and the terms of the Provisional Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

It is estimated that upon Completion, the Group will record an estimated unaudited loss on disposal of approximately HK\$32,433,000. Such unaudited loss is estimated based on the consideration receivable from the Disposal of HK\$309,800,000, less the net book value of the Property of approximately HK\$324,000,000 as at 31 December 2022 and the estimated expenses (including agency fees, legal fees, ancillary expenses and taxes payable as a result of the Disposal) of approximately HK\$18,233,000. The aforesaid unaudited loss does not represent an actual loss of the Group as recognized in the Company's consolidated statement of profit and loss since the aforesaid unaudited loss is to be set off by the reserve recorded on the Company's consolidated statement of financial position as a result of the previously recognized gain on revaluation of the Property.

The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and will be determined as at the date of the Completion.

INTENDED USE OF PROCEEDS

The consideration for the Disposal is HK\$309,800,000, after taking into account the estimated expenses (including agency fees, legal fees, ancillary expenses and taxes payable as a result of the Disposal) of approximately HK\$18,233,000, the net sales proceeds of the Disposal will be approximately HK\$291,567,000 (the "**Net Proceeds**"). The Company intends to apply the Net Proceeds for repayment of firstly, the outstanding bank and other borrowings and secondly, the rest of the proceeds will be used to settle part of the convertible bonds, and relevant interests accrued by the Group. As at the date hereof, the Group had outstanding bank and other borrowings of approximately HK\$228,100,000, comprising (i) bank loan of approximately HK\$162,000,000 carrying interest at rates ranging from approximately 8.20% to 11.75%; and (ii) other borrowings from a third-party entity of approximately HK\$66,100,000 bearing interest at 8% per annum, which are due for repayment within one year and secured by mortgages of the Property. As at the date hereof, the aggregate outstanding principal amount of the convertible bonds of the Company was approximately HK\$154,200,000, which is repayable in one lump sum in November 2023 and bears interest at 7.0% per annum.

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GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Provisional Agreement and the transaction contemplated thereunder. To the best of the Directors' knowledge, no Shareholder has a material interest in the Disposal and accordingly, no Shareholder is required to abstain from voting in respect of the ordinary resolution to approve the Disposal at the SGM. A circular containing, among other things, further information relating to the Disposal, the notice of the SGM and other information is expected to be despatched to the Shareholders on or before 26 June 2023.

Completion is conditional upon the satisfaction of the Condition Precedent. Accordingly, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors
“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
“Completion”	completion of the Disposal
“Condition Precedent”	the condition precedent to Completion as set out in the paragraph headed “Condition Precedent” under the section headed “The Provisional Agreement” in this announcement
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration of HK\$309,800,000 for the Disposal
“Directors”	the directors of the Company
“Disposal”	the disposal of the Property by the Vendor to the Purchaser contemplated under the Provisional Agreement
“Formal Agreement”	the formal agreement to be entered into between the Vendor and the Purchaser in relation to the Disposal
“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
“Property”	Units 7, 8 and 9 and the lavatories adjoining thereto on 33/F., Office Tower, Convention Plaza, No.1 Harbour Road, Hong Kong
“Provisional Agreement”	the provisional agreement for sale and purchase dated 5 June 2023 entered into between the Vendor and the Purchaser in relation to the Disposal
“Purchaser”	HK Image Online Limited (香港影像在線有限公司), a company incorporated in Hong Kong with limited liability, the purchaser of the Property under the Provisional Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“subsidiary”	has the meaning as ascribed to it under the Listing Rules
“SGM”	a special general meeting of the Company to be convened and held, at which the ordinary resolution will be proposed to consider, and, if thought fit, to approve the Provisional Agreement, the Formal Agreement, if applicable, and the transaction contemplated thereunder
“Shareholder(s)”	holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“sq. feet”	square feet
“Vendor”	Goldwide Limited (豫威有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Hong Kong, 5 June 2023

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.