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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)**

**MAJOR TRANSACTION  
ACQUISITION OF 70% EQUITY INTEREST  
IN THE TARGET COMPANY**

**THE ACQUISITION**

Reference is made to the voluntary announcement of the Company dated 7 July 2021 relating to a co-operation agreement made between the Company and the Vendor, pursuant to which the parties thereto would initiate in-depth strategic cooperation in the Project. On 13 October 2021, the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest, representing 70% of the total equity interest of the Target Company, at the Consideration of RMB210 million.

Upon completion of the Acquisition, the equity interest attributable to the Group in the Target Company will be 70% and the Target Company will become a subsidiary of the Company and assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

**LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **SGM**

The Company will convene and hold the SGM for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder. A circular containing, among others, further information in respect of the Equity Transfer Agreement and the Acquisition and other information as required by the Listing Rules, together with the notice convening the SGM and the proxy form in respect of the SGM is expected to be despatched to the Shareholders on or before 30 November 2021, as additional time is required to prepare the information to be included in the circular.

**Shareholders and potential investors should note that the effectiveness and completion of the Equity Transfer Agreement is subject to the satisfaction of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9:00 a.m. on 15 October 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9:00 a.m. on 19 October 2021.

## **BACKGROUND**

Reference is made to the voluntary announcement of the Company dated 7 July 2021 relating to a co-operation agreement made between the Company and the Vendor, pursuant to which the parties thereto would initiate in-depth strategic cooperation of the Project.

On 13 October 2021, the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Purchaser (being the Company or a subsidiary of the Company nominated by the Company to take up the Sale Interest) conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest, representing 70% of the total equity interest in the Target Company, at the Consideration of RMB210 million.

Following completion of the Acquisition, given the equity interest attributable to the Group in the Target Company will be 70%, the Target Company will become a subsidiary of the Company and the assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

## **THE EQUITY TRANSFER AGREEMENT**

The key terms of the Equity Transfer Agreement are summarised below:

### **Date:**

13 October 2021

### **Parties:**

- (1) the Company (as purchaser); and
- (2) the Vendor (as seller).

Pursuant to the Equity Transfer Agreement, the Company and the Vendor agreed that the Company may itself, or may nominate a subsidiary of the Company to, take up the Sale Interest. The Company, or such subsidiary of the Company nominated to take up the Sale Interest, will be the Purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are third parties independent of the Company and its Connected Persons.

### **Subject Assets to be Acquired**

Pursuant to the Equity Transfer Agreement, the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Interest, representing 70% of the total equity interest of the Target Company as at the date of this announcement.

### **Consideration and Payment Terms**

The Consideration payable by the Purchaser for the Acquisition is RMB210 million. Pursuant to the Equity Transfer Agreement, the Vendor agreed that the entire Consideration receivable by it from the Acquisition shall be applied to repay part of the outstanding indebtedness owing by the Target Company to the Creditors so as to reduce the total amount of indebtedness of the Target Company and support the Target Company's business development and operation. Accordingly, the Vendor agreed the Consideration to be paid by the Purchaser directly to the Creditors by paying into the Designated Account(s).

The Consideration will be payable within 10 business days after the registration of the Sale Interest, the Purchaser shall start paying the Consideration into the Designated Account(s) in accordance with the Repayment Plan, where the payment(s) transmitted by the Purchaser into the Designated Account from time to time shall be treated as payment of such part of the Consideration of the same amount received by the Vendor. The Consideration shall be treated as fully paid by the Purchaser upon the full payment of RMB210 million into the Designated Account.

### **Basis of the Consideration**

The Consideration was determined after arm's length negotiation between the Purchaser and the Vendor after considering the following factors: (i) 70% equity interest of the registered capital of the Target Company; (ii) the current development of and future prospects of the Project; and (iii) the factors as set out in the section headed "Reasons for and Benefits of the Acquisition". As regards (i), the Company understood that the registered capital of the Target Company is RMB300 million and approximately RMB217 million has been paid up as at the date of this announcement, representing more than 70% of the total registered capital of the Target Company as at the date of this announcement; and pursuant to the Equity Transfer Agreement, the Vendor assured to the Purchaser that all existing shareholders of the Target Company as at the date of this announcement will pay up all outstanding registered capital on or before 31 December 2025. As regards (ii) and (iii), the hotel and scenic park in the Project have already been constructed and in operation and that after completion of the Acquisition, the Vendor and the Purchaser can through the Target Company jointly further develop the Project with new development opportunities leveraging on China eco-tourism market promoted under the Chinese government's new economic policies.

In view of above, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and in the interests of the Purchaser and the Shareholders as a whole.

### **Effectiveness and Conditions of the Equity Transfer Agreement**

The Equity Transfer Agreement shall become effective subject to the following conditions being satisfied, namely (i) the approval of the Equity Transfer Agreement and the transactions contemplated thereunder by the Shareholders; and (ii) where required, approval of the Stock Exchange having been obtained.

## **Pre-completion and Completion**

Before Completion, (i) the Vendor shall ensure that the injection of Acquired Assets (as defined below) into, and be retained under, the Target Company are completed; and (ii) before the date of registration of the Sale Interest, the Vendor shall ensure that the liabilities of the Target Company are not increased and the assets of the Target Company are not reduced, to the effect that the following assets will be retained under the Target Company:

1. The 100% equity interests in a company, which holds (i) a hotel located in the core area of National 5A-class Scenic Areas at Mount Sanqing, Jiangxi, the PRC; and (ii) 6.67% equity interests in a company principally engages in providing ropeway service, catering and accommodation service in a scenic area at Mount Sanqing, Jiangxi, the PRC; and
2. The 81% equity interests in a company principally engages in the generation and sales of hydroelectric power at Mount Sanqing, Jiangxi, the PRC;

(collectively, the “**Acquired Assets**”)

3. Green Valley Complex includes Jinsha Green Valley Springs Hotel, a completed 2,200-seats performance theater, tourist customer service center, food court, commercial plaza, and Xiaoyao Valley scenic area owned by Green Valley.

Within 15 days of the date the Equity Transfer Agreement having become effective, the Company and the Vendor shall apply for the registration of the transfer of the Sale Interest from the Vendor to the Purchaser with the competent PRC authority. The Vendor shall ensure that registration of the Sale Interest under the name of the Purchaser is completed within 15 business days of the date the Equity Transfer Agreement having become effective.

Completion shall take place upon the registration of the Sale Interest under the name of the Purchaser having been completed.

## **Post-completion obligations**

After Completion, the Vendor shall procure that the registered capital of the Target Company shall be fully paid up by the Vendor and the other shareholders of the Target Company (except for the Purchaser) on or before 31 December 2025.

Upon the Purchaser has become the shareholder of the Target Company, the Purchaser will be responsible for:

- (i) making arrangement for debt financing of not more than RMB370 million to be made to the Target Company for the repayment of the other indebtedness of the Target Company, including where, with respect to such indebtedness owing in connection with constructions cost, such outstanding to be repayable by instalments within 3 years after negotiation with the relevant Creditors and confirmed by the Purchaser; and
- (ii) making arrangement for debt financing of RMB200 million to be provided to the Target Company for financing capital expenditure of the Project, which will be mainly applied for the (a) renovation of the Jinshawan Holiday Hotel; (b) continued construction of the Jinsha Green Valley Springs Hotel; (c) renovation of part of the performance centre located in the Project; and (d) upgrading the infrastructure of the Xiaoyao Valley Scenic Area.

Pursuant to the Equity Transfer Agreement, the debt financing borrowed by the Target Company referred at (i) and (ii) above will be repaid by the income generated from the ordinary course of business of the Target Company.

### **Termination**

The Equity Transfer Agreement can be terminated by notice by either the Purchaser or the Vendor (as the case may be) (the “**Non-Defaulting Party**”) to the other of them (the “**Defaulting Party**”) upon occurrence of the following events:

- (i) any unpredictable and unavoidable events which would cause the impossible performance of the obligations under the Equity Transfer Agreement;
- (ii) any material breaches of terms under the Equity Transfer Agreement by the Defaulting Party which led to the unenforceable Equity Transfer Agreement; and
- (iii) any representations, warranties and undertakings of the Defaulting Party under the Equity Transfer Agreement being untrue.

If the Equity Transfer Agreement is terminated due to the occurrence of the events above, then no party shall have the rights specified under the Equity Transfer Agreement and no party shall have any obligation thereafter.

## **Board composition of the Target Company**

After Completion, the board of directors of the Target Company will consist of three directors, one to be nominated by the Vendor and two to be nominated by the Purchaser. The chairman of the board of directors of the Target Company will be nominated by the Purchaser and for a term of three years (which may be re-elected upon the expiration of such term).

## **Appointment of supervisor and general manager of the Target Company**

After Completion, each of the supervisor and the general manager of the Target Company will be person(s) nominated by the Purchaser. The term of the general manager will be three years (which may be re-elected upon the expiration of such term).

After Completion and the Purchaser has become a shareholder of the Target Company, the Purchaser and the Vendor shall procure the articles of association to be amended in order to reflect the above.

## **INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENT**

### **The Company and the Group**

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 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**

The Vendor is a company incorporated in the PRC with limited liability, which is directly owned as to 80% by Mr. Wu Hengzhong (吳恒忠) and 20% by Ms. Wu Fuzhi (吳富知), respectively. The Vendor is a conglomerate principally engaged in integrating hotel, scenic area construction, tourism product development, handicraft calligraphy and painting, e-commerce, commercial logistics, and real estate etc., which is the main investment company of Mount Sanqing Xiaoyao Valley Scenic Area Project.

## INFORMATION ABOUT THE TARGET COMPANY, GREEN VALLEY AND THE ACQUIRED ASSETS

The Target Company is a company incorporated in the PRC with limited liability. The Target Company and Green Valley (the Target Company's subsidiary) are principally engaged in the investment, management and operation of the Project.

The Project is located in the core area of the Jinsha Tourist Resort District (national level) in Mount Sanqing, Shangrao, Jiangxi, and is close to the Jinsha Ropeway Plaza in the Eastern Mount Sanqing. The Project is currently operated by the Target Company, with approximately 172,000 square meters (258 mou) of construction area and more than 10 square kilometers of the whole tourist area.

As disclosed in the section headed "Pre-completion and Completion" above, before the date of registration of the Sale Interest, the Vendor shall ensure that the Acquired Assets be injected, and together with Green Valley be retained under the Target Company.

The table below sets out certain proforma unaudited combined financial information of the Target Company (including Green Valley and the Acquired Assets) for the years ended 31 December 2019 and 2020:

	<b>For the year ended 31 December 2019 (unaudited) RMB'000</b>	<b>For the year ended 31 December 2020 (unaudited) RMB'000</b>
Net loss before taxation	38,561	47,505
Net loss after taxation	39,384	47,520

The unaudited combined net asset value of the Target Company (including Green Valley and the Acquired Assets) as at 30 June 2021 was approximately RMB194.1 million.

Following Completion, the Purchaser will hold 70% of the equity interest in the Target Company which will become a subsidiary of the Company and the assets and liabilities of the Target Company will be consolidated into the consolidated financial statements of the Company.

## **REASONS FOR AND BENEFIT OF THE ACQUISITION**

The Project (Chinese Taoist Cultural Park 中國道文化園) is located in the core area of World Natural Heritage, World Geopark, National 5A-class Scenic Area, National Scenic Area, Chinese famous Taoist mountains (中國道教名山), and Sanqingshan Jinsha National Tourism Resort. The Project has beautiful scenery and abundant traffic with an ancient town, a hot spring resort, a spiritual temple and a virgin forest with more than 10 square kilometers of sports experience, etc., surrounded by two high-speed railways and four airports. The Company firmly believes that with the Chinese government's introduction of a series of new economic policies related to internal circulation and the establishment of a new development pattern in which the domestic and international dual circulation promotes each other, it is expected that the Chinese eco-tourism market will usher in new development opportunities. By signing the Equity Transfer Agreement and acquiring the Project, the Company will acquire strategic assets compatible with natural scarcity and unique cultural characteristics, laying a solid foundation for the Company's new eco-tourism business.

The Board is of the view that the terms of the Equity Transfer Agreement are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS OF THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisition is more than 25% and less than 100%, the Acquisition constitutes a major transaction of the Group under Rule 14.06 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

## GENERAL

The Company will convene and hold the SGM for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder. A circular containing, among others, further information in respect of the Equity Transfer Agreement and the Acquisition and other information as required by the Listing Rules, together with the notice convening the special general meeting and the proxy form in respect of the special general meeting is expected to be despatched to the Shareholders on or before 30 November 2021, as additional time is required to prepare the information to be included in the circular.

**Shareholders and potential investors should note that Completion is subject to the satisfaction of the Conditions. As the Acquisition may or may not proceed, Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company.**

## RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been halted from 9: 00 a.m. on 15 October 2021 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange from 9: 00 a.m. on 19 October 2021.

## DEFINITIONS

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

“Acquired Assets”	the assets as specified in the section headed “Pre-completion and Completion” of this announcement
“Acquisition”	the acquisition of the 70% equity interest of the Target Company by the Purchaser from the Vendor, as contemplated under the Equity Transfer Agreement
“Board”	the board of Directors of the Company
“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 Acquisition, which takes place upon registration of the Sale Interest under the name of the Purchaser having been completed
“Conditions”	the conditions set forth under the section headed “Effectiveness and Conditions of the Equity Transfer Agreement” in this announcement
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	RMB210 million
“Creditors”	the creditors of the Target Company, which are banks and construction companies
“Directors”	the directors of the Company
“Designated Account(s)”	the designated account(s) of the Target Company to be agreed by the Vendor and the Company for repayment of part of the outstanding indebtedness owing by the Target Company to the Creditors
“Equity Transfer Agreement”	the Equity Transfer agreement dated 13 October 2021 entered into between the Company and the Vendor relating to the Acquisition
“Green Valley”	Jiangxi Sanqingshan Jinsha Green Valley Industrial Company Limited* 江西三清山金沙綠谷實業有限公司, a company incorporated with limited liability in the PRC and a subsidiary of the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

\* For identification purpose only

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
“Project”	Jiangxi Shangrao Mount Sanqing Tourism Project, the World Natural Heritage National 5A-class tourist area
“Purchaser”	the Company or a subsidiary of the Company nominated by the Company to take up the Sale Interest
“Repayment Plan”	the new repayment plan to be negotiated and agreed by the Vendor and the Purchaser with the Creditors for repayment of the outstanding indebtedness owing by the Target Company to the Creditors
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest”	the subject of the Acquisition, i.e. 70% of the equity interest in the Target Company as at the date of this announcement
“Shareholder(s)”	holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“SGM”	special general meeting of the Company to be convened for approving, among other things, the Equity Transfer Agreement, the Acquisition and the transactions contemplated thereunder
“Target Company”	Sanqingshan Cultural Tourism Company Limited* 三清山文化旅遊股份有限公司, a company incorporated in the PRC with limited liability

\* For identification purpose only

“Vendor” Golden Tourism Group Limited\* 金旅集團有限公司, a company incorporated in the PRC with limited liability

“%” per cent

*\* For identification purpose only*

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

Hong Kong, 18 October 2021

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