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(Continued into Bermuda with limited liability)

(Stock Code: 8166)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE DISPOSAL

The Board announces that on 30 December 2021 (after trading hours), the Vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from the Vendor, the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$8,000,000.

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal, is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules.

As the Disposal is subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement and 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.

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THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarised as follows:

Date: 30 December 2021 (after trading hours)

Parties: (i) Skyline Top Limited, a wholly-owned subsidiary of the Company, as the Vendor; and

(ii) XRE Delta Ltd, as the Purchaser.

(each a “**Party**”, and collectively, the “**Parties**”)

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the GEM Listing Rules).

Assets to be disposed of

Subject to the terms and conditions of the Sale and Purchase Agreement, the Vendor shall, as legal and beneficial owner, sell and transfer to the Purchaser, and the Purchaser shall purchase from the Vendor, the Sale Shares free from any claim, encumbrance or third party rights of any kind and together with all rights now or thereafter attaching thereto.

Consideration

The Consideration, in the aggregate sum of HK\$8,000,000, shall be settled by the Purchaser in cash in accordance with the following manner and schedule:

- (a) HK\$1,000,000 shall be paid by the Purchaser to the Vendor as deposit within ten (10) Business Days of the execution of the Sale and Purchase Agreement (the “**Deposit**”), which Deposit shall, subject to the terms as set out in the Sale and Purchase Agreement, be utilised for partial settlement of the Consideration at the Completion; and
- (b) the balance of the Consideration in the sum of HK\$7,000,000 shall be settled and discharged by the Purchaser at the Completion.

In case the Disposal shall not be completed in accordance with the Sale and Purchase Agreement on the date initially scheduled to be the Completion Date, or in case the Sale and Purchase Agreement is prematurely terminated in accordance with the terms in the Sale and Purchase Agreement, the Deposit shall be refunded by the Vendor to the Purchaser without any reduction or interest within ten Business Days of the Purchaser’s issuing the request for refund of the Deposit (the “**Refund**”).

The Consideration was arrived at after arm’s length negotiations between the Parties with reference to, among other things, (i) the latest financial position and performance of the Target Company; and (ii) the reasons as set out in the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL” below. As such, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion shall be subject to such conditions precedent as set out hereunder:

- (a) (if required) all necessary consents, confirmations, permits, approvals (including approval of the Disposal by the Shareholders, if required) and authorisations under the GEM Listing Rules and other regulatory regime having been granted to and/or obtained by the Vendor, the Company and/or the Purchaser (collectively, the “**Necessary Approvals**”), and the Necessary Approvals having remained valid and effective, and not being threatened with any revocation, withdrawal, cancellation or suspension at any time prior to the date initially scheduled for the Completion;
- (b) the Vendor being, and remaining as, the sole shareholder of the Target Company, and further and/or in the alternative, the Vendor being, and remaining as, the sole legal and beneficial owner of the Sale Shares free from any encumbrance;
- (c) the shareholding structure of the Target Group (as shown in the section headed “INFORMATION ON THE TARGET GROUP” below) remaining intact;

- (d) the Purchaser having completed due diligence examinations on the legal, commercial, financial, compliance, operational and such other aspects of the Target Company as the Purchaser deems fit and appropriate (the “**DD Examinations**”), with the results and outcome of the DD Examinations being reasonably satisfactory to the Purchaser; and
- (e) all the representations, warranties and undertakings given by the Purchaser and the Vendor pursuant to the Sale and Purchase Agreement remaining true and accurate in all respects at all times up to the date initially scheduled for the Completion.

Save and except such conditions precedent (d) and (e) above which may be waived in whole or in part by the Purchaser unilaterally (but not by the Vendor under whatever circumstance) at any time no later than the Long Stop Date by notice in writing to the Vendor, none of the other conditions precedent can be waived, and the Parties shall use their respective best endeavours to ensure that the conditions precedent (save and except such conditions precedent which has/have been waived by the Purchaser pursuant to the foregoing provisions of this paragraph) shall be fulfilled and/or satisfied as soon as possible after the execution of the Sale and Purchase Agreement, and in any event, no later than the Long Stop Date.

Save as otherwise stated, if any abovementioned conditions precedent (save and except such conditions precedent which have been waived by the Purchaser in accordance with the above paragraph) shall not have been fulfilled or satisfied by the date initially scheduled as the Long Stop Date, the Sale and Purchase Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for certain clauses as set out in the Sale and Purchase Agreement which shall remain valid, binding and effective, and no Party shall have any claim of any nature or liabilities under the Sale and Purchase Agreement whatsoever against the other Party save for the Refund and/or any antecedent breach of the Sale and Purchase Agreement.

Completion

Subject to the terms in relation to the conditions precedent as set out in the Sale and Purchase Agreement, the Completion shall take place on the Completion Date (or at such other time as shall be mutually agreed by the Parties in writing).

Upon the Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in England with limited liability and is principally engaged in construction and other civil engineering projects. As at the date of the Sale and Purchase Agreement, the Purchaser is wholly-owned by Ms. Jin Fengming, the director of the Purchaser, who is a citizen of the PRC.

INFORMATION ON THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

INFORMATION ON THE TARGET GROUP

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor as at the date of this announcement. The Target Company is principally engaged in investment holding. The Target Group is principally engaged in investment holding and property development in Fuyu of Jilin Province in the PRC.

As at the date of the Sale and Purchase Agreement, the shareholding structure of the Target Group is as follows:



Set out below is the unaudited financial information of the Target Group for the financial years ended 31 December 2019 and 31 December 2020 respectively:

	For the year ended 31 December 2019 <i>HK\$'000</i> (Unaudited) Approximately	For the year ended 31 December 2020 <i>HK\$'000</i> (Unaudited) Approximately
Revenue	–	–
Loss before taxation	14,953	10,234
Loss after taxation	14,953	10,234

The unaudited consolidated net assets value of the Target Group as at 30 September 2021 was approximately HK\$13,152,000.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to recognise a loss of approximately HK\$5,252,000 (after deducting the estimated professional fees and other related expenses of approximately HK\$100,000) which is calculated on the basis of the difference between the Consideration to be received by the Vendor and the unaudited consolidated net assets value of the Target Group as at 30 September 2021. The actual loss to be recorded by the Group will be subject to review and final audit by the auditors of the Company.

After deducting the expenses relating to the Disposal, the net proceeds from the Disposal will be approximately HK\$7.90 million and the Company intends to use such proceeds as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the business of trading of grocery food products, trading of consumables and agricultural products, property investment, provision of money lending services, one-stop value chain services and provision of financial services.

In view of the current market environment and business prospects of the property development market in the PRC, the Directors are of the view that the Group can benefit from the Disposal as it can obtain the cash consideration from the Disposal which will strengthen the financial position of the Group and provide additional working capital for the Group.

The Company has conducted research on the recent market trend of real estates in the PRC and in particular, the Northeast area. According to the data published by the National Bureau of Statistics in December 2021, declining trends in Northeast area can be seen in both the real estate investment and the sale of real estates from January 2021 to November 2021 as compared to that of the same period last year. The Directors are of the view that the coronavirus variant and the property market sentiment will continue to bring further uncertainty to the property development market in the PRC.

Taking into consideration of (i) the prospect and market sentiment of the property development market of the PRC; (ii) the Disposal provides an opportunity for the Company to obtain cash consideration and enables the Company to reallocate the financial resources of the Group; and (iii) the Disposal will not have any material impact on the Group's operations and can enhance the cash level and working capital of the Group, the Directors are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Disposal, is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements pursuant to Chapter 19 of the GEM Listing Rules.

As the Disposal is subject to the fulfillment of the conditions precedent as set out in the Sale and Purchase Agreement and 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, unless the context otherwise requires, capitalised terms used shall have the following meanings:

“Board” the board of Directors

“Business Day(s)”	any day (excluding Saturday, Sunday or public holiday) on which no tropical cyclone warning No. 8 or above is hoisted, no “black rainstorm warning signal” is issued and no “extreme conditions” is announced in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. and on which licensed banks in Hong Kong are open for general banking business
“Company”	China Eco-Farming Limited, an exempted company continued into Bermuda with limited liability, the shares of which are listed on GEM
“Completion”	the completion of the Disposal
“Completion Date”	the date of the Completion, which shall be any Business Day within the period of four Business Days of the date scheduled for satisfaction and/or fulfilment of the conditions precedent as set out in the Sale and Purchase Agreement
“Consideration”	the sum of HK\$8,000,000 to be paid by the Purchaser to the Vendor for the Sale Shares
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser in accordance with the Sale and Purchase Agreement
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Long Stop Date”	14 February 2022, or such later date as the Parties may otherwise agree in writing, being the date by which the conditions precedent as set out in the Sale and Purchase Agreement shall be satisfied and/or fulfilled (or waived, as and where appropriate)

“PRC”	the People’s Republic of China (for the purpose of this announcement, shall not include Hong Kong, the Macau Special Administrative Region or Taiwan)
“Purchaser”	XRE Delta Ltd, a company incorporated in England with limited liability
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 December 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	the 50,000 ordinary shares of the Target Company, being the entire issued share capital of the Target Company
“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Konson Global Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by the Vendor
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Skyline Top Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

Hong Kong, 30 December 2021

As at the date of this announcement, the executive Directors are Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.

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

This announcement will remain on the Company's website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the "Latest Listed Company Information" page of the GEM website for at least 7 days from the date of its publication.

** For identification purpose only*