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## **China Cultural Tourism and Agriculture Group Limited**

**中國文旅農業集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 542)**

### **SUPPLEMENTAL ANNOUNCEMENT**

#### **DISCLOSEABLE TRANSACTION IN RELATION TO DEED OF SETTLEMENT**

Reference is made to the Company's announcements dated 15 June 2023, 5 July 2023 and 24 July 2023 in relation to the Acquisition (the "**Acquisition Announcements**") and the Company's announcement dated 16 December 2024 in relation to the Deed of Settlement (the "**Settlement Announcement**", together with the Acquisition Announcements, the "**Announcements**"). Unless otherwise defined, capitalised terms used herein shall have the meaning as those defined in the Announcements.

The Company would like to provide supplemental information to the Settlement Announcement as follows:

#### **BASIS OF CONSIDERATION**

As disclosed in the Settlement Announcement, the consideration for the Share Repurchase was recognised as the value of RMB125,050,000, equivalent to the amount of the Set-off Payables. It was determined after arm's length negotiation between the Vendor and the Purchaser, taking into account:

- (i) 41% of the implied valuation of the Target Company's shares under the Acquisition of RMB305,000,000, being the sum of (a) the total consideration of RMB169,324,150 paid by the Purchaser and (b) the net indebtedness owed to Zhuhai Tiandi by the Target Group in the amount of RMB135,675,850 which shall be settled by the Purchaser under the Agreement; and
- (ii) the benefits of the Share Repurchase that will be brought about to the Group as set out in the paragraph headed "Reasons for and benefits of the Deed of Settlement" in the Settlement Announcement.

In determining the consideration, the Company has made an inquiry with the same independent professional valuer for a preliminary assessment on the current value of the Project Lands. According to the valuer, subject to a formal valuation document and for indicative purposes only, based on the direct comparison method, the preliminary value indication for the Project Lands would be in the range of approximately RMB275 million to RMB285 million (the “**Preliminary Value Indication**”).

As disclosed in the Acquisition Announcement, the appraised value of the Project Lands as at 30 April 2023 was approximately RMB310,000,000. The Preliminary Value Indication is approximately 8% to 11.3% lower than the appraised value of the Project Lands as at 30 April 2023. By using the appraised value of the Project Lands as at 30 April 2023 for the Share Repurchase, the reference value of the Target Company would be higher. This would mean that fewer shares of the Target Company would need to be transferred back to the Vendor from the Purchaser to offset the Outstanding Payables/Set-off Payables, which would be more favourable for the Group. Based on the above, the Board is of the view that the basis of determination of the consideration in the Share Repurchase is fair and reasonable to the Group.

As disclosed in the Settlement Announcement, the Purchaser has failed to settle the Outstanding Payables in the amount of RMB135,675,850 to Zhuhai Tiandi according to the terms of the Agreement. Given the cash and cash equivalents of the Group had decreased from approximately HK\$13.4 million as at 31 December 2023 to HK\$10.4 million as at 30 June 2024, the Group is facing difficulty in settling the Outstanding Payables. In light of the above, the Parties negotiated to settle such outstanding indebtedness. The Parties agreed that the Vendor will assume responsibility for repaying a portion of the Outstanding Payables owed to Zhuhai Tiandi, and in return, the Parties considered different methods to compensate the Vendor:

- (i) *Share repurchase*: By transferring 41% of the issued share capital of the Target Company back to the Vendor from the Purchaser, the Purchaser will be released from the obligation to repay the Set-off Payables in the amount of RMB125,050,000, and the Vendor will take up the obligation to settle the Set-off Payables.
- (ii) *Further issue of consideration shares*: By issuing consideration shares by the Company to the Vendor equivalent in value to the Outstanding Payables/Set-off Payables, in consideration of the Vendor to settle the Outstanding Payables/Set-off Payables. However, this would not be a practical arrangement as the trading price of the Shares has substantially decreased by approximately 69% after the date of the Agreement, and it would be unlikely for the Vendor to accept further consideration shares of the Company, not to mention the additional compliance requirements under the Listing Rules and, where applicable, the Codes on Takeovers and Mergers and Share Buy-backs that would need to be addressed.

The only arrangement acceptable to the Parties is the Share Repurchase. As disclosed in the Settlement Announcement, under the current arrangement, the Group will be released from the obligation of settling the Set-off Payables and the Group will no longer be held liable for its failure to settle the Set-off Payables, thereby relieving the financial burden on the Group. The Board, having considered the above, is of the view that the transactions contemplated under the Deed of Settlement are fair and reasonable and in the interest of the Company and Shareholders as a whole.

By order of the Board  
**China Cultural Tourism and Agriculture Group Limited**  
**YANG Lijun**  
*Chairman*

Hong Kong, 2 January 2025

*As at the date of this announcement, the Board comprises Mr. YANG Lijun (Chairman), Mr. GAO Jingyao, and Mr. TAM Ka Wai being the executive Directors, Mr. WONG Yuk Lun, Alan being the non-executive Director; and Ms. CHAN Hoi Ling, Ms. CHAN Chu Hoi, and Ms. TSUI Wai Ting, Rosalie being the independent non-executive Directors.*