

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT OF SECOND INTERIM RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2022

INTERIM FINANCIAL STATEMENTS

The board of directors of China Ecotourism Group Limited (the “Company”) (the “Board” or “Directors”) hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the twelve months ended 31 December 2022, together with the audited comparative figures for the corresponding period in 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | | Unaudited Twelve months ended 31 December 2022 <i>HK\$'000</i> | Audited Year ended 31 December 2021 <i>HK\$'000</i> |
|---|--------------|---|---|
| | <i>Notes</i> | | |
| Revenue | 2 | 126,985 | 124,920 |
| Costs of sales and services | 3 | <u>(75,326)</u> | <u>(75,644)</u> |
| Gross profit | | 51,659 | 49,276 |
| Other income | 4 | 805 | 21,827 |
| Other (losses)/gains - net | 5 | (25,829) | (26,480) |
| Net impairment losses on financial assets | | — | (61,257) |
| Gain on disposal of a subsidiary | | — | 121 |
| General and administrative expenses | | <u>(139,966)</u> | <u>(211,348)</u> |
| Operating loss | 6 | (113,331) | (227,861) |
| Finance costs | 7 | <u>(41,010)</u> | <u>(57,521)</u> |
| Loss before income tax | | (154,341) | (285,382) |
| Income tax (expense)/credit | 8 | <u>(238)</u> | <u>4,471</u> |
| Loss for the period/year | | <u>(154,579)</u> | <u>(280,911)</u> |
| Loss attributable to: | | | |
| Owners of the Company | | (155,072) | (258,312) |
| Non-controlling interests | | 493 | (22,599) |
| | | <u>(154,579)</u> | <u>(280,911)</u> |
| Loss per share attributable to owners of the Company for the period/year | | | |
| — basic | 9 | <u>(5.02) HK cent</u> | <u>(11.34) HK cent</u> |
| — diluted | 9 | <u>(5.02) HK cent</u> | <u>(11.34) HK cent</u> |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited Twelve months ended 31 December 2022 <i>HK\$'000</i> | Audited Year ended 31 December 2021 <i>HK\$'000</i> |
|--|--|---|
| Loss for the period/year | (154,579) | (280,911) |
| Other comprehensive (expense)/income for the period/year: <i>Items that may be reclassified to profit or loss</i> | | |
| Currency translation differences | (8,432) | 7,434 |
| Total comprehensive expense for the period/year | (163,011) | (273,477) |
| Attributable to: | | |
| Owners of the Company | (158,407) | (257,946) |
| Non-controlling interests | (4,604) | (15,531) |
| Total comprehensive expense for the period/year | (163,011) | (273,477) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | Unaudited as at 31 December 2022 <i>HK\$'000</i> | Audited as at 31 December 2021 <i>HK\$'000</i> |
|--|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | | 28,923 | 33,063 |
| Right-of-use assets | | 319,261 | 322,969 |
| Intangible assets | | 16,010 | 20,408 |
| Interests in associates | | 189 | 189 |
| Financial assets at fair value through profit or loss | | 468 | 4,536 |
| | | 364,851 | 381,165 |
| Current assets | | | |
| Inventories | | 18,038 | 21,347 |
| Accounts receivable | 10 | 7,514 | 11,713 |
| Prepayments, deposits and other receivables | | 40,161 | 57,932 |
| Cash and bank balances | | 88,456 | 101,049 |
| | | 154,169 | 192,041 |
| Total assets | | 519,020 | 573,206 |
| Current liabilities | | | |
| Accounts payable | 11 | 3,195 | 5,485 |
| Accruals and other payables | | 92,106 | 34,830 |
| Contract liabilities | | 47,630 | 35,211 |
| Amounts due to a joint venture | | 10,681 | 6,225 |
| Amounts due to a shareholder | | 33,500 | 1,224 |
| Amounts due to a key management personnel | | 17,811 | 17,935 |
| Tax payable | | 6,418 | 2,013 |
| Bank and other borrowings | | 162,000 | 197,000 |
| Lease liabilities | | 8,014 | 3,457 |
| Convertible bonds | 12 | 155,763 | 127,062 |
| | | 537,118 | 430,442 |
| Net current liabilities | | (382,949) | (238,401) |
| Total assets less current liabilities | | (18,098) | 142,764 |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Cont'd)

| | | Unaudited as at 31 December 2022 <i>HK\$'000</i> | Audited as at 31 December 2021 <i>HK\$'000</i> |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| Non-current liabilities | | | |
| Deferred income tax liabilities | | 37,694 | 39,161 |
| Lease liabilities | | 6,991 | 3,375 |
| | | 44,685 | 42,536 |
| Net (liabilities)/assets | | (62,783) | 100,228 |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 77,211 | 77,211 |
| Accumulated losses | | (2,160,179) | (2,011,224) |
| Reserves | 14 | 1,780,964 | 1,790,416 |
| | | (302,004) | (143,597) |
| Non-controlling interests | | 239,221 | 243,825 |
| Total (deficiency)/equity | | (62,783) | 100,228 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Twelve months ended 31 December 2022

Attributable to owners of the Company

| | Share Capital <i>HK\$'000</i> | Reserves <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|-------------------------------------|-----------------------------|--|---|--------------------------|
| At 1 January 2022 | 77,211 | 1,790,416 | (2,011,224) | 243,825 | 100,228 |
| (Loss)/profit for the period | — | — | (155,072) | 493 | (154,579) |
| Other comprehensive expense: | | | | | |
| Currency translation differences | — | (3,335) | — | (5,097) | (8,432) |
| Total comprehensive expense | — | (3,335) | (155,072) | (4,604) | (163,011) |
| Release of revaluation reserve upon: | | | | | |
| - Depreciation of owned properties and related leasehold land | — | (6,117) | 6,117 | — | — |
| At 31 December 2022 | 77,211 | 1,780,964 | (2,160,179) | 239,221 | (62,783) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Cont'd)

| | Audited | | | | |
|---|---------------------------------------|-----------------------------|--|---|--------------------------|
| | Year ended 31 December 2021 | | | | |
| | Attributable to owners of the Company | | | | |
| | Share Capital <i>HK\$'000</i> | Reserves <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Non- controlling interests <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| At 1 January 2021 | 25,737 | 1,640,888 | (1,757,683) | 259,356 | 168,298 |
| Loss for the year | — | — | (258,312) | (22,599) | (280,911) |
| Other comprehensive income: | | | | | |
| Currency translation differences | — | 366 | — | 7,068 | 7,434 |
| Total comprehensive expense | — | 366 | (258,312) | (15,531) | (273,477) |
| Appropriation to statutory reserve | — | 1,346 | (1,346) | — | — |
| Shares issued pursuant to rights issue (net share issuance expenses) | 51,474 | 153,933 | — | — | 205,407 |
| Release of revaluation reserve upon: | | | | | |
| - Depreciation of owned properties and related leasehold land | — | (6,117) | 6,117 | — | — |
| At 31 December 2021 | <u>77,211</u> | <u>1,790,416</u> | <u>(2,011,224)</u> | <u>243,825</u> | <u>100,228</u> |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited Twelve months ended 31 December 2022 <i>HK\$'000</i> | Audited Year ended 31 December 2021 <i>HK\$'000</i> |
|---|--|---|
| Operating cash flows before changes in working capital | (66,181) | (115,123) |
| Changes in working capital | 92,910 | 67,491 |
| Income tax paid | (419) | (389) |
| | 26,310 | (48,021) |
| Net cash generated from/(used in) operating activities | 26,310 | (48,021) |
| Net cash generated from investing activities | 1,409 | 412 |
| Net cash (used in)/generated from financing activities | (38,059) | 78,093 |
| | (10,340) | 30,484 |
| Net (decrease)/increase in cash and cash equivalents | (10,340) | 30,484 |
| Effect of foreign exchange rate changes | (2,253) | (5,865) |
| Cash and cash equivalents at beginning of the period/year | 101,049 | 76,430 |
| | 88,456 | 101,049 |
| Cash and cash equivalents at end of the period/year | 88,456 | 101,049 |

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

1.1 Going concern

In preparing the condensed consolidated interim financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$154,579,000 for the twelve months ended 31 December 2022 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$382,949,000. The Group will be unable to meet its liabilities in full when they fall due unless it is able to generate sufficient cash flows from future operations and/or other sources, since as at 31 December 2022, the Group only had cash and bank balances of HK\$88,456,000. These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In this regard, the Directors of the Company have identified various initiatives to address the Group’s liquidity needs, which include the following:

- (a) The Group has been actively negotiating with the relevant bank for renewal of the revolving bank and other borrowings with outstanding principal amount of HK\$162,000,000 that are secured by the Group’s property located in Hong Kong. Taking into account the fair value of the pledged property in the amount of HK\$324,000,000 as at 31 December 2022, the Directors believe that the Group will be able to renew the banking facilities;
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities. Subsequent to the end of the reporting period, the Group successfully obtained a new loan facility of HK\$35,000,000 from an independent third party;
- (c) During the reporting period, the Company and the holders of convertible bonds due 2022 entered into the sixth supplemental trust deed to further extend the Maturity date from 7 November 2022 to 7 November 2023;
- (d) The Group will continue to implement measures to speed up the collection of outstanding accounts and other receivables; and
- (e) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the Directors are of the opinion that the Group would have adequate funds to meet its liabilities as and when they fall due at least twelve months from the end of the reporting period. Accordingly, the Directors consider it is appropriate to prepare the condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the condensed consolidated interim financial statements.

1.2 Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”)

Except for the application of new and amendments to HKFRSs issued by the HKICPA that are effective for the annual periods beginning on or after 1 January 2022, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the twelve months ended 31 December 2022 are consistent with those adopted in the preparation of audited financial statements for the year ended 31 December 2021.

For the twelve months ended 31 December 2022, the Group has applied all new and amendments to HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on or after 1 January 2022. The application of the new and amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current/prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted any new and amendments to HKFRSs that have been issued by the HKICPA but are not yet effective.

2. Revenue and segment information

An analysis of the Group’s revenue for the periods is as follows:

| | Unaudited Twelve months ended 31 December 2022 HK\$’000 | Audited Year ended 31 December 2021 HK\$’000 |
|---|--|--|
| Sales of lottery terminals and related equipment | 78,485 | 81,503 |
| Sales of natural and health food | 2,122 | 3,089 |
| Provision of operation and management services for ecotourism business | 1,483 | — |
| Provision of technical and maintenance services | 42,093 | 28,703 |
| Revenue from contracts with customers (within the scope of HKFRS 15) | 124,183 | 113,295 |
| Lease income from operating leases | 2,802 | 11,625 |
| Total revenue | 126,985 | 124,920 |

2. Revenue and segment information (Cont'd)

The Group's reportable segments are as follows:

1. Lottery systems, terminal equipment and related products — Provision of technology and operation service for lottery systems, terminal equipment and gaming products, and sales of lottery terminals and related equipment
2. Natural and health food — Research and development, processing, production and sales of natural and health food
3. Ecotourism — Project development and operation of ecotourism

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

| | Unaudited Twelve months ended 31 December 2022 | | | |
|---|--|--|-------------------------------|--------------------------|
| | Lottery systems, terminal equipment and related products <i>HK\$'000</i> | Natural and health food <i>HK\$'000</i> | Ecotourism <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Segment revenue: | | | | |
| Revenue from contracts with customers (within the scope of HKFRS 15) | 120,578 | 2,122 | 1,483 | 124,183 |
| Lease income | 2,802 | — | — | 2,802 |
| | <u>123,380</u> | <u>2,122</u> | <u>1,483</u> | <u>126,985</u> |
| Revenue from external customers | | | | |
| | <u>(3,100)</u> | <u>(1,148)</u> | <u>(11,590)</u> | <u>(15,838)</u> |
| Segment loss | | | | |
| Interest income | | | | 805 |
| Fair value loss on financial assets at fair value through profit or loss | | | | (4,068) |
| Loss on remeasurement of convertible bonds | | | | (21,367) |
| Finance costs | | | | (41,010) |
| Unallocated expenses | | | | <u>(72,863)</u> |
| Loss before income tax | | | | <u>(154,341)</u> |

2. Revenue and segment information (Cont'd)

(a) Segment revenue and results (Cont'd)

| | Audited Year ended 31 December 2021 | | | |
|---|--|--|-------------------------------|--------------------------|
| | Lottery systems, terminal equipment and related products <i>HK\$'000</i> | Natural and health food <i>HK\$'000</i> | Ecotourism <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Segment revenue: | | | | |
| Revenue from contracts with customers (within the scope of HKFRS 15) | 110,206 | 3,089 | — | 113,295 |
| Lease income | 11,625 | — | — | 11,625 |
| | <u>121,831</u> | <u>3,089</u> | <u>—</u> | <u>124,920</u> |
| Revenue from external customers | <u>121,831</u> | <u>3,089</u> | <u>—</u> | <u>124,920</u> |
| Segment loss | <u>(107,555)</u> | <u>(240)</u> | <u>—</u> | <u>(107,795)</u> |
| Interest income | | | | 21,276 |
| Fair value loss on financial assets at fair value through profit or loss | | | | (2,232) |
| Gain on remeasurement of convertible bonds | | | | 26,198 |
| Net impairment losses on financial assets | | | | (61,257) |
| Finance costs | | | | (57,521) |
| Gain on disposal of a subsidiary | | | | 121 |
| Unallocated expenses | | | | <u>(104,172)</u> |
| Loss before income tax | | | | <u>(285,382)</u> |

2. Revenue and segment information (Cont'd)

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

| | Unaudited as at 31 December 2022 HK\$'000 | Audited as at 31 December 2021 HK\$'000 |
|--|--|---|
| Lottery systems, terminal equipment and related products | 168,644 | 106,413 |
| Natural and health food | 787 | 2,794 |
| Ecotourism | 9,607 | — |
| | <hr/> | <hr/> |
| Total segment assets | 179,038 | 109,207 |
| Interests in associates | 189 | 189 |
| Unallocated | 339,793 | 463,810 |
| | <hr/> | <hr/> |
| Consolidated assets | 519,020 | 573,206 |

Segment liabilities

| | Unaudited as at 31 December 2022 HK\$'000 | Audited as at 31 December 2021 HK\$'000 |
|--|--|---|
| Lottery systems, terminal equipment and related products | 72,046 | 51,234 |
| Natural and health food | 11,798 | 16,757 |
| Ecotourism | 10,887 | — |
| | <hr/> | <hr/> |
| Total segment liabilities | 94,731 | 67,991 |
| Unallocated | 487,072 | 404,987 |
| | <hr/> | <hr/> |
| Consolidated liabilities | 581,803 | 472,978 |

2. Revenue and segment information (Cont'd)

(c) Geographical information

Information about the Group's revenue from external customers is presented based on the location of the customers.

| | Unaudited Twelve months ended 31 December 2022 HK\$'000 | Audited Year ended 31 December 2021 HK\$'000 |
|------------------------------------|--|---|
| People's Republic of China ("PRC") | 122,952 | 123,621 |
| Others | 4,033 | 1,299 |
| | 126,985 | 124,920 |

3. Cost of sales and services

| | Unaudited Twelve months ended 31 December 2022 HK\$'000 | Audited Year ended 31 December 2021 HK\$'000 |
|---|--|---|
| Depreciation of lottery terminals | — | 3,867 |
| Amortisation of intangible assets | 3,325 | 8,359 |
| Business tax | 415 | 366 |
| Cost of inventories recognised as expense | 68,329 | 61,298 |
| Repairs and maintenance | 1,494 | 205 |
| Others | 1,763 | 1,549 |
| | 75,326 | 75,644 |

4. Other income

| | Unaudited | Audited |
|---|----------------------|-----------------|
| | Twelve months | Year ended |
| | ended | 31 December |
| | 31 December | 2021 |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Interest income from bank deposits and loan receivables | 805 | 4,780 |
| Interest received from Beijing China Lottery Online Technology Company Limited | — | 16,496 |
| Government grants | — | 133 |
| Others | — | 418 |
| | <u>805</u> | <u>21,827</u> |

5. Other (losses)/gains — net

| | Unaudited | Audited |
|---|----------------------|-----------------|
| | Twelve months | Year ended |
| | ended | 31 December |
| | 31 December | 2021 |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Fair value loss on financial assets at fair value through profit or loss | (4,068) | (2,232) |
| (Loss)/gain on remeasurement of convertible bonds | (21,367) | 26,198 |
| Gain on lease termination | 76 | 372 |
| Gain/(loss) on disposal of property, plant and equipment | 55 | (2,542) |
| Bad debt written off | (8) | — |
| Impairment of goodwill and other intangible assets | — | (35,786) |
| Impairment of property, plant and equipment | — | (12,218) |
| Foreign exchange losses | (517) | (272) |
| | <u>(25,829)</u> | <u>(26,480)</u> |

6. Operating loss

| | Unaudited | Audited |
|--|----------------------|-----------------|
| | Twelve months | Year ended |
| | ended | 31 December |
| | 31 December | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Operating loss is stated after charging: | | |
| Staff costs (excluding share options expenses) | 79,140 | 86,341 |
| Depreciation of other items of property, plant and equipment | 11,315 | 11,084 |

7. Finance costs

| | Unaudited | Audited |
|--|----------------------|-----------------|
| | Twelve months | Year ended |
| | ended | 31 December |
| | 31 December | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Interest expenses on bank and other borrowings | 15,815 | 11,324 |
| Interest expenses on lease liabilities | 963 | 576 |
| Effective interest expenses on convertible bonds | 21,515 | 42,275 |
| Other interest expenses | 2,717 | 3,346 |
| | 41,010 | 57,521 |

8. Income tax expense/(credit)

| | Unaudited | Audited |
|---|----------------------|-----------------|
| | Twelve months | Year ended |
| | ended | 31 December |
| | 31 December | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Current tax | | |
| — PRC Enterprise Income Tax | 1,190 | (3,421) |
| Deferred tax | | |
| — Origination and reversal of temporary differences | (952) | (1,050) |
| | 238 | (4,471) |

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the twelve months ended 31 December 2022 (2021: Nil).

Taxation in the PRC has been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates.

9. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of 3,088,442,199 (2021: 2,278,855,626) ordinary shares in issue during the twelve months ended 31 December 2022.

The computation of diluted loss per share for the twelve months ended 31 December 2022 and 2021 did not assume the conversion of convertible bonds since its assumed conversion would result in a decrease in loss per share.

10. Accounts receivable

The ageing analysis of the accounts receivable net of loss allowance at the end of the reporting period, based on invoice date, is as follows:

| | Unaudited | Audited |
|--|--------------------|-----------------|
| | as at | as at |
| | 31 December | 31 December |
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| Less than three months | 646 | 7,537 |
| Over three months but less than one year | — | 181 |
| Over one year | 6,868 | 3,995 |
| | 7,514 | 11,713 |

11. Accounts payable

The ageing analysis of the accounts payable at the end of the reporting period, based on invoice date, is as follows:

| | Unaudited as at 31 December 2022 HK\$'000 | Audited as at 31 December 2021 HK\$'000 |
|--|--|--|
| Less than three months | 1,380 | 2,187 |
| Over three months but less than one year | — | 188 |
| Over one year | 1,815 | 3,110 |
| | <u>3,195</u> | <u>5,485</u> |

12. Convertible bonds

| | Unaudited as at 31 December 2022 HK\$'000 | Audited as at 31 December 2021 HK\$'000 |
|-----------------------------|--|--|
| Liability component: | | |
| New Option 1 Bonds | <u>155,763</u> | <u>127,062</u> |

The movement of liability component of the New Option 1 Bonds during the reporting period is set out below:

| | HK\$'000 |
|----------------------------|-----------------------|
| At 1 January 2022 | 127,062 |
| Interest charged | 21,515 |
| Remeasurement | 21,367 |
| Interest payment | (5,441) |
| Redemption | (8,740) |
| At 31 December 2022 | <u>155,763</u> |

13. Share capital

| | Unaudited | |
|---|---|-----------------------|
| | Authorised ordinary shares of HK\$0.025 each | |
| | <i>Number of shares</i> | <i>HK\$ '000</i> |
| At 1 January 2021 | 1,600,000,000 | 40,000 |
| Increase in authorised ordinary shares (note (i)) | 3,400,000,000 | 85,000 |
| At 31 December 2021 and 31 December 2022 | <u>5,000,000,000</u> | <u>125,000</u> |

| | Unaudited | |
|---|--|----------------------|
| | Issued and fully paid ordinary shares of HK\$0.025 each | |
| | <i>Number of shares</i> | <i>HK\$ '000</i> |
| At 1 January 2021 | 1,029,480,733 | 25,737 |
| New shares issued upon Rights Issue (note (ii)) | 1,569,905,533 | 39,248 |
| New shares issued upon Placing (note (ii)) | 489,055,933 | 12,226 |
| At 31 December 2021 and 31 December 2022 | <u>3,088,442,199</u> | <u>77,211</u> |

Notes:

- (i) Pursuant to the resolution passed by the shareholders of the Company (the "Shareholders") on 10 May 2021, the authorised share capital of the Company was increased from HK\$40,000,000 to HK\$125,000,000 as a result of the addition of 3,400,000,000 ordinary shares of HK\$0.025 each.
- (ii) On 10 June 2021, the Company has completed the Rights Issue and the Placing of shares involving issuance of 1,569,905,533 shares of rights shares and 489,055,933 shares of the placing shares.

14. Reserves

| | Unaudited | | | | | | |
|--|--------------------------------------|---------------------------------------|---|-------------------------------------|---|---|--------------------------|
| | Twelve months ended 31 December 2022 | | | | | | |
| | Share Premium <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Statutory reserve <i>HK\$'000</i> | Other reserve <i>HK\$'000</i> | Currency translation reserve <i>HK\$'000</i> | Revaluation reserve <i>HK\$'000</i> | Total <i>HK\$'000</i> |
| Balance as at 1 January 2022 | 1,625,182 | 15,158 | 20,144 | (42,657) | (62,520) | 235,109 | 1,790,416 |
| Loss on revaluation of properties held for own use | — | — | — | — | — | (3,934) | (3,934) |
| Release of revaluation reserve upon: -depreciation of leasehold land and building | — | — | — | — | — | (6,053) | (6,053) |
| Currency translation differences -overseas subsidiaries | — | — | — | — | 535 | — | 535 |
| Balance as at 31 December 2022 | 1,625,182 | 15,158 | 20,144 | (42,657) | (61,985) | 225,122 | 1,780,964 |

14. Reserves (Cont'd)

| | Audited | | | | | | |
|--|-----------------------------|--------------------|----------------------|------------------|------------------------------------|------------------------|------------------|
| | Year ended 31 December 2021 | | | | | | |
| | Share Premium | Capital reserve | Statutory reserve | Other reserve | Currency translation reserve | Revaluation reserve | Total |
| HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | HK\$ '000 | |
| Balance as at 1 January 2021 | 1,471,249 | 15,158 | 18,798 | (42,657) | (62,886) | 241,226 | 1,640,888 |
| Issue of new shares upon Right Issue | 117,370 | — | — | — | — | — | 117,370 |
| Issue of new shares upon Placing | 36,563 | — | — | — | — | — | 36,563 |
| Appropriation from accumulated losses to statutory reserve | — | — | 1,346 | — | — | — | 1,346 |
| Release of revaluation reserve upon: -depreciation of leasehold land and building | — | — | — | — | — | (6,117) | (6,117) |
| Currency translation differences -overseas subsidiaries | — | — | — | — | 366 | — | 366 |
| Balance as at 31 December 2021 | <u>1,625,182</u> | <u>15,158</u> | <u>20,144</u> | <u>(42,657)</u> | <u>(62,520)</u> | <u>235,109</u> | <u>1,790,416</u> |

15. Events after the reporting period

Every twenty issued and unissued existing shares of HK\$0.025 each in the share capital of the Company (the “Shares”) had been consolidated into one consolidated share of HK\$0.50 each in the share capital of the Company (the “Consolidated Share”) and became effective on 20 January 2023 (the “Share Consolidation”).

As a result of the Share Consolidation, the conversion price of New Option 1 Bonds was adjusted to HK\$33.80 per Consolidated Share and the maximum number of Consolidated Shares that will be issued upon conversion of all the outstanding New Option 1 Bonds at the adjusted conversion price is 4,561,005 Consolidated Shares.

For details of the Share Consolidation, please refer to the circular of the Company dated 29 December 2022 and the announcement of the Company dated 18 January 2023.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the twelve months ended 31 December 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The China economy experienced complicated and volatile external situations such as the Russia-Ukraine conflict, inflation surge and Fed interest rate hikes in 2022, and it also faced internal risks such as the resurgence of COVID-19, real estate industry collapse and economic downturns. Despite facing these difficult internal and external circumstances, China had maintained its overall economic and social stability. As what the Central Economic Work Conference has concluded in its tone-setting, China's economic recovery foundation is not solid yet, still facing multiple pressures like shrinking demand, supply shocks and weakening expectations and grimmer external environment.

Over the past year, the Group's business still faced the negative impact caused by COVID-19. As at the end of 2022, China's anti-pandemic policy saw a significant shift: taking the initiative to optimize its pandemic prevention and control measures. On 8 January 2023, its administration towards COVID-19 was officially classified it as Category B Infectious Disease. With the high infectivity of the new coronavirus variants, the pandemic's first wave had passed its height swiftly in many parts of China. Although there may be some rebound in the number of infections in future, however, the direct impact of COVID-19 on China's economy will significantly reduce. Therefore, the year of 2023 will be a crucial year for the China economy to move from an "anti-pandemic mode" to a full recovery momentum.

The aforementioned change in China's anti-pandemic policy will undoubtedly offer major benefits to the Group's business development in future. Adhering to the principle of stability and advancement in the midst of stability in its business, the Group will seize the opportunity to further expand its ecotourism and natural and health food business while strengthening its existing lottery business.

China's Lottery Market

In recent years, China reported a substantial decline in lottery sales as a result of policy adjustments in the lottery industry and the COVID-19 pandemic. The lottery market gradually picked up since 2021.

In 2022, China registered growth in lottery sales. According to the data released by the Ministry of Finance, China's lottery ticket sales amounted to RMB424.652 billion, representing a year-on-year increase of RMB51.367 billion or 13.8% throughout 2022. Out of the above, welfare lottery sales amounted to RMB148.131 billion, representing a year-on-year increase of RMB5.876 billion or 4.1%; sports lottery sales amounted to RMB276.522 billion, representing a year-on-year increase of RMB45.491 billion or 19.7%. Regarding the development of various types of lotteries, the sales performance of major lottery products were rather volatile when compared with the same period of the previous year, reflecting factors such as high frequency lottery being off the market, the distribution of lottery awards for promotional purposes, expanded scope of sales for KENO-type lottery and the FIFA World Cup championship held during the same period of the previous year. In 2022, lotto sales decreased by 4.0%, year-on-year, to RMB155.418 billion. Single Match Games ("SMG") sales increased by 34.7%, year-on-year, to RMB180.927 billion. Paper-based Scratch Card sales increased by 9.3%, year-on-year, to RMB59.447 billion. KENO type lottery sales increased by 27.2%, year-on-year, to RMB28.86 billion. Video lottery sales amounted to RMB600,000. The sales of Lotto, SMG, Paper-based Scratch Card and KENO-type lotteries accounted for 36.6%, 42.6%, 14.0%, 6.8% of total lottery sales, respectively. In terms of regional sales, apart from Jilin, Shanghai, Hainan and Tibet, other provinces in China reported year-on-year growth in lottery sales, with Guangdong, Zhejiang, Jiangsu and Shandong witnessing the largest increases.

China's Ecotourism Market

In 2022, the COVID-19 was the most significant factor causing fluctuations in demand in the domestic travel market. Affected by its multi-point dispersal, local outbreaks of the COVID-19 as well as its rapid spread due to restrictions loosening up in December, the tourism industry was bombarded seriously with most of the tourism enterprises suffered poor revenue performance and were difficult to operate. The travel distance and destination recreation radius of domestic tourism shrunk obviously, and short-distance travel and local leisure had become the spatial characteristics of domestic tourism. The domestic tourism showed new features such as short time span, short distance and high frequency, with “light tourism”, “micro vacation” and “residence hotel” as new highlights. Tourism products such as waterfront leisure, ecological recreation, rural idyll, urban leisure and summer residence became popular among tourists.

On 8 January, 2023, China's administration on COVID-19 saw a significant shift of officially classifying it as Category B Infectious Disease. After waiting for three years painstakingly, the tourism industry finally steps out from its darkest moment and welcome the full recovery of domestic tourism market. According to the Ministry of Culture and Tourism, 308 million domestic trips were made during the Spring Festival holiday in 2023, increased by 23.1% year-on-year, representing 88.6% of the 2019 figure.

BUSINESS REVIEW AND OUTLOOK

Lottery Business

Computer-generated ticket games (“CTG”)

CTG is the major product of China's lottery industry. The Group's subsidiaries, Guangzhou Lottnal Terminal Company Limited, Guangzhou Three Rings Yongxin Technology Company Limited and Beijing Bestinfo Cyber Technology Co., Ltd., focus on the provision of core products and services such as CTG, lottery betting terminals, lottery scanners and readers to lotteries, hence they are recognized by China's welfare lottery and sports lottery sectors. The lottery terminal equipment and lottery sales management system developed and produced by the Group are widely used by many China's welfare lotteries and sports lotteries at provincial level. While providing technical services to lottery organizations, the Group has made a success of the largest scale and highest sales volume in provincial level in the domestic welfare lottery industry.

In 2022, the Group reported ongoing development of its CTG business in the welfare lottery and sports lottery markets. In the welfare lottery sector, the Group's sales in the Guangdong Welfare Lottery market, the largest provincial welfare lottery market it serves, amounted to RMB17.282 billion in 2022, as it remained the top seller in provincial welfare lottery markets in China. Sales from the Shanghai Welfare Lottery and the Chongqing Welfare Lottery market served by the Group in 2022 amounted to RMB3.421 billion and RMB3.418 billion, respectively. In the sports lottery sector, despite the decline in demand from end-users in the local sports lottery markets due to the restrictions on the sale of high-frequency lottery games and quick-draw lottery games, the Group won the provincial sports lottery terminal procurement contracts of Xinjiang, Shaanxi, Shanxi, Sichuan and Guangdong, as well as the after-sales maintenance service contracts from the provincial sports lottery authorities of Zhejiang, Hunan, Henan, Guangdong, Shanxi, Liaoning, Inner Mongolia and Shaanxi. In particular, in 2022, the Group's subsidiaries won the tender for Guangdong Welfare Lottery Sales Terminals Procurement Project, Guangdong Computer Welfare Lottery Sales Management System Project and the Guangdong Sports Lottery Terminals Supply Project in Guangdong Province, the largest provincial market in the lottery industry, and continued to provide multi-faceted services to the largest provincial market in China, which fully demonstrated the lottery authorities' recognition of the Group's capability, quality and value.

Overseas Business

In 2022, Omicron, the latest variant of a highly transmissible coronavirus ravaged the world, which limited the progress of implementation of the Group's overseas operations. In October 2022, the Group, together with its local partner in Philippines, was authorized by Philippine Charity Sweepstakes Office (PCSO) to sell lottery tickets through personal electronic devices in the Philippines. In the fourth quarter of 2022, the Group had started the technical interface with two major local payment platforms, GCASH and PAYMAYA, in Philippines and was making complete product design and full technical preparation for the first phase of mobile lottery sales business. It is expected that the businesses developed by the Group in Philippines will be launched and sold in the first half of 2023. Furthermore, in December 2022, the Group joined hands with a new partner in Ghana, the National Lottery Authority (NLA), to consolidate resources and planned to develop sales channels and introduce a new sales agent to sell the 60-year history NLA 5/90 lottery game through handheld terminals. The Group, for the first time, applies e-purse payment to lottery business in Ghana, achieving a good instant lottery dividend experience. The project is expected to be implemented in the second quarter of 2023.

Smart Retail

In recent years, there has been an increasingly strong demand for the digitalisation and intelligentisation of retail lottery sales. As such, the industry has been facing developments and changes involving channel restructuring and as well as expansion and innovation, and lottery institutions have continued to enhance the development of channel infrastructure and regulated management.

The Group has pioneered in the proposition of the new retail concept for lottery in the industry, underpinned by the comprehensive application of innovative technologies such as smart hardware, the Internet of things, Big Data, blockchain and AI in the operation, management and marketing of lottery sale channels. The development of comprehensive smart retail solutions, including a variety of smart terminal products, smart storefront management, smart payment, smart marketing and Big Data service systems, has been completed to provide comprehensive services to lottery issuers and sales outlets.

Video Lottery

Dongguan Tianyi Electronic Company Limited ("DGTY"), a subsidiary of the Group, was the exclusive equipment provider for China Welfare Lottery Video Lottery – Welfare VLT, an instant electronic video lottery issued by China Welfare Lottery which was suspended in July 2020.

DGTY and Beijing China Lottery Online Technology Company Limited ("CLO") entered into a ten-year cooperative contract in 2005, pursuant to which DGTY would supply Welfare VLT terminal equipment to CLO and received commensurate remuneration for use. After the expiry of the mutual contract in 2015, CLO continued to conduct sales using the terminals of DGTY and generate ongoing revenue, but did not make any payment of remuneration for use to DGTY.

DGTY filed a civil lawsuit with the People's High Court of Beijing in 2016, demanding the payment of remuneration for use by CLO for its continued use of DGTY terminals after the expiry of the contract. The People's High Court ruled that CLO was required to pay RMB54,835,700 and accrued interests to DGTY. In view of the fact that CLO continued to conduct lottery sales and generate revenue by using terminals owned by DGTY during a period of more than five years after the expiry of the contract and provisions under pertinent laws and regulations, the Group might take further legal action to protect its legal rights and interests.

China's Ecotourism Business

Project of Wangwu Shan Scenic Area and Wulongkou Scenic Area in Jiyuan City

On 23 May 2022, the Group entered into an Entrustment Management Contract of Wangwu Shan Scenic Area and Wulongkou Scenic Area with Jiyuan City Cultural Tourism Investment Group Limited (“Jiyuan City Cultural Tourism”), under which both parties agreed to adopt a team management cooperation model and the Group will assign a management team to provide professional and standardized management empowerment services for the above two national 4A tourist attractions. The period of cooperation between the two parties will commence on 1 June 2022 and end on 31 December 2025. According to the contract, the Group will receive management fees arising from the operation rights for both the tourist attractions and share the revenues gained from their entrance fees.

In the past six months, the Group had assigned a team to work closely with the partner and performed its duty. The Group put strenuous efforts to facilitate the management improvement, service transformation and marketing innovation of the scenic areas, and had achieved remarkable results, which were fully affirmed by the partners.

In 2023, the Group will jointly invest with Jiyuan City Cultural Tourism to co-invest and promote the construction of a sightseeing cable car for Wang Mu Cave, a scenic spot in Tiantan Shan, the main peak of Wangwu Shan Scenic Area. At the same time, with the extension of the scenic route and continuous growth of tourists, the transportation capacity of the original internal sightseeing cable car is unable to accommodate the operational demand, and the Group intends to invest in adding new sightseeing cable cars to the operation. According to the creative upgrading plan and master plan of Wulongkou, China Monkey Mountain, the Group will invest in the operation projects of the underground cable car, tunnel train and cartoon electric car in the scenic area.

These projects will significantly enrich the quality of tour experience and expand the scenic area capacity, while greatly increasing the revenue level.

Wangwu Shan Scenic Area is a national 4A tourist attraction and a World Geopark, which covers a total area of 265 square kilometers. Being one of the nine famous mountains of ancient China, it ranks the top among the ten great grotto-heavens in Taoism and is the holy land of the Quanzhen School, a main sect of Taoism. Besides, it is said that the famous Chinese fable called “Yu Gong Removes the Mountains” happened there. The spirit of Yu Gong Removes the Mountains, not afraid of hardships and hard work, is the spiritual character of Chinese people, as well as the main cultural brand of Wangwu Shan Scenic Area. Tiantan Shan, the highest peak in this area, was the place where Huangdi, the Chinese people’s common ancestor, held the heavenly rituals. It has been commonly known as the “Spine of Taihang” and the “Earth Pillar that Holds Up Heaven”. The total forest coverage rate of the scenic area exceeds 98%. With more than 2,000 years of history, the Ginkgo planted by Lao-Tzu, is the most precious specimen and is therefore called the “living plant fossil in the world”. The national treasure “Yangtai Temple” is a royal Taoist temple built in the Tang Dynasty. Li Bai, Du Fu, Gao Xi and other renowned scholars paid visits to the temple. Li Bai’s only surviving authentic work, “Post for Ascending Yang Tai”, was written to tell the story of visiting his old friend, Sima Chengzhen, at the Yangtai Temple. The Post is a Class A national cultural relic, known as the “precious treasure” of national treasures. At present, through the perfect support and brand strengthening, we have formed the initial closed loop of tourism + vacation + recreation + cultural industry in Wangwu Shan Scenic Area. Now, with the aim of building a cultural tourism recreation brand with scale and professional development, we strive to turn ecological advantages into economic advantages underpinning on the belief that lucid waters and lush mountains are invaluable assets.

Wulongkou Scenic Area, a national 4A tourist attraction and the national macaque nature reserve, comprises five major scenic areas including the spring (Wenquan), the valley (Pangu) and the river (Qinhe), boasting 68 natural or cultural scenic spots which feature precious historic and cultural sites such as the ruins of water conservancy work and Pangu Temple from the Qin Dynasty, as well as the ancient gallery road in the Kingdom of Wei from the Three-Kingdom Period and the Departing-Taihang Trail of Zhu De. It is also a national-grade protected natural habitat for rhesus monkeys inhabited by more than 3,000 monkeys living in 12 troops. The local springs provides mineral geothermal resources with the highest water temperature and superior water quality among springs in inland China, making it an exceptionally ideal location for rehabilitation.

The cooperation between the two parties will advance the market-driven operation of Wangwu Shan Scenic Area and Wulongkou Scenic Area, enhance our brand image, optimise our product mix, accelerate the creation of 5A Scenic Spot for the Wangwu Mountain Scenic Area to fully generate sound economic and social benefits, and help to achieve the management objectives of qualitative, internationalised and sustainable development of the scenic areas.

The said business cooperation enables the Group to embrace a new model of business operation by accepting the entrustment to manage premium tourism resources. The business will lay a sound foundation for the Group's long-term, sustainable development as it holds out broad prospects for development with immense potential for growth.

In addition, the Group is actively exploring new ecotourism investment projects and negotiations of relevant potential projects are taking place and preliminary due diligence exercises are conducted, in the hope that the relevant projects will bring more revenue and profit to the Group.

Natural and Health Food Business

In 2022, against the backdrop of recurring pandemic outbreaks in some local regions, Natural Forestfood Farm Company Limited (“NFFL”) sustained a growth in business results while maintaining stability. Especially in the second half of 2022, it demonstrated a better business growth momentum.

In terms of platform, the Company has built and upgraded the website, APP and WeChat mini-program of Forest Food, and set up an account in TikTok, as well as a team for live broadcast, short video and community operation. The Company formed six online sale platform matrices: Forest Food website, Forest Food APP, Forest Food WeChat mini-program, Tmall market, JD.com and TikTok, and established a traffic channel from public domain to private domain through community operation.

For products, the Company has integrated and expanded the products on the platforms. Currently, the Forest Food platform sells nearly 700 types of products, and constantly updates the items for sale. Due to COVID-19, people are more concerned about their health than ever before. Thus the Company has launched a new wheat protein powder focusing on gastrointestinal health for people to enhance their immune system and overall functions of the body. The product has already gained its first-seeding users and generated repeated purchases. On this basis, the Company has upgraded the protein powder products and developed new flavors of strip products simultaneously. The new products will be produced in our own factory and production preparation is progressed in an orderly manner.

In recent years, products from NFFL such as mushrooms, nuts and honey have been well received by customers and its brand influence is expanding. After conducting an in-depth analysis of the market, the Company decided to further develop the mushroom and spice business by expanding its original product portfolio: adding more types of mushrooms such as arimillaria mellea, bolete, Morchella and termitomyces albuminosus. We added more spice products such as anise, cinnamon, myrcia, Sichuan Pepper, chilli, Amomum tsao-ko and netmeg, fennel seed. The Company will adopt the approach of direct cooperation with plantation bases. By selecting high-quality raw materials and gaining forest food certification, the Company will provide consumers with natural, healthy and high-quality products, and establish the NFFL brand as the industry benchmark in the mushroom and spice markets where well-known brand is still missing.

In 2023, based on the layout of last year, NFFL will fully leverage the advantages of every platform to promote products such as mushrooms, spices and protein powders to enhance sales performance. At the same time, through community operation, NFFL will continue to strengthen the traffic obtained from public domain channels such as Tmall, JD.com and TikTok into its own platform including Forest Food website and Forest Food APP, and establish its own private domain traffic pool, bringing business growth and higher profits to the Company.

FUTURE OUTLOOK

We look forward into 2023 with confidence. With the full loosening up of anti-pandemic policy, the government will implement strong measures to promote economic recovery, which will lead to rapid economic growth and increase residents' consumption power further, thereby China's lottery market and ecotourism market will recover comprehensively.

On the back of its in-depth understanding of and ongoing investment in the lottery business over the years, the Group will continue to consolidate its strengths and engage in extensive cooperation in multiple aspects, such as sales channel, core systems, gaming products and the development of responsible lotteries, in an active bid to contribute to the creation of a healthy ecosystem for China's welfare lottery industry which is accountable, trustworthy and sustainable. At the same time, the Group will go global by relying on the domestic market and open up more new business segments.

The Group will also continue to consolidate its resources. By seizing opportunities that arise due to full economic recovery after COVID-19, we promote the ecotourism and natural and health food businesses as it incubates new business growth niches through ongoing innovation and new business modes to strive for greater investment returns for shareholders.

FINANCIAL REVIEW

During the twelve months ended 31 December 2022, the Group recorded a turnover of approximately HK\$126.99 million (31 December 2021: approximately HK\$124.92 million), representing an increase of approximately 1.66% over the same period of last year. Loss attributable to owners of the Company for the twelve months ended 31 December 2022 amounted to approximately HK\$155.07 million (31 December 2021: approximately HK\$258.31 million). The decrease in the loss attributable to owners of the Company, is mainly due to the decrease in the net impairment losses on financial assets of HK\$61.26 million and the cost control measures for the period, resulting in decrease in general and administrative expenses of approximately HK\$71.38 million.

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 31 December 2022, the Group had net current liabilities of approximately HK\$382.9 million (at 31 December 2021: HK\$238.4 million). The Group believes that it has adequate financial resources to fund its capital and operating requirements. As at 31 December 2022, the Company had an outstanding corporate guarantee limited to approximately HK\$240.0 million (at 31 December 2021: HK\$240.0 million) for a banking facility of an uncommitted revolving loan of approximately HK\$240.0 million (at 31 December 2021: HK\$240.0 million).

The Group had outstanding bank and other borrowings as at 31 December 2022 of approximately HK\$162.0 million (at 31 December 2021: HK\$197.0 million). As at 31 December 2022, the bank borrowings and banking facilities of the Group were secured by (i) leasehold land and buildings of the Group with a carrying amount of approximately HK\$324.0 million (at 31 December 2021: HK\$337.0 million); and (ii) a personal guarantee executed by a director of the Company (at 31 December 2021: a personal guarantee executed by a director of the Company).

At 31 December 2022, the convertible bonds of the Company was amounted to HK\$155.8 million (at 31 December 2021: HK\$127.1 million) and the aggregate outstanding principal amount of HK\$154.2 million (the “New Option 1 Bonds”). The Company entered into the trust deed dated 7 April 2017 as supplemented and amended by a supplemental trust deed dated 28 March 2019, a second supplemental trust deed dated 4 November 2019, a third supplemental trust deed dated 28 April 2020, a fourth supplemental trust deed dated 3 May 2021, a fifth supplemental trust deed dated 3 November 2021 (the “5th Supplemental Trust Deed”) and a sixth supplemental trust deed dated 5 May 2022 (the “6th Supplemental Trust Deed”). On 3 November 2021, the Company and the holders of New Option 1 Bonds entered into the 5th Supplemental Trust Deed to amend the payment terms. Repayments will be in three remaining instalments: of 5%, 10% and 55% of the principal amount outstanding as at the third amendment date of 28 April 2020 (or, if lower, such amount as would result in the principal amount outstanding being reduced to zero) on 7 January 2022, 7 May 2022 and the maturity date of 7 November 2022 respectively. The Company has repaid the first installment of HK\$8.7 million on 7 January 2022, the principal outstanding after such installment payment was HK\$113.6 million. On 5 May 2022, the Company and the holders of New Option 1 Bonds entered into the 6th Supplemental Trust Deed to further extend the maturity date from 7 November 2022 to 7 November 2023 and the principal amount outstanding of the New Option 1 Bonds was increased from HK\$113.6 million to HK\$154.2 million (including accrued interest up to (but excluding) 7 May 2022. 100% of New Option 1 Bonds is now repayable in one lump sum on 7 November 2023 and bears interest at 7.0% per annum with effective from 5 May 2022.

During the period under review, no New Option 1 Bonds had been converted into the shares of the Company by the bondholders. Based on the adjustment provision under the terms and conditions of the New Option 1 Bonds, an adjustment shall be made to the New Option 1 Bonds' conversion price from HK\$2.00 per share to HK\$1.69 per share with effect from 10 June 2021 as a result of the issue of Consolidated Shares under completion of the Right Issue and the Placing. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding New Option 1 Bonds was 91,220,118 shares of the Company.

On 20 January 2023, an adjustment was made to the conversion price as a result of the Share Consolidation. The conversion price was adjusted to HK\$33.80 per Consolidated Shares and the maximum number of Consolidated Shares that will be issued upon conversion of all the outstanding New Option 1 Bonds at the adjusted conversion price is 4,561,005 Consolidated Shares.

Details of the New Option 1 Bonds 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, 5 May 2022 and 18 January 2023 relating to the New Option 1 Bonds.

The Group's total deficiency amounted to approximately HK\$62.8 million at 31 December 2022 (total equity at 31 December 2021: HK\$100.2 million). At 31 December 2022, net current liabilities of the Group amounted to approximately HK\$382.9 million (at 31 December 2021: HK\$238.4 million), including approximately HK\$88.5 million in cash and deposits with banks and financial institution (at 31 December 2021: HK\$101.0 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2022 was approximately 112.1% (at 31 December 2021: 82.5%).

Exposure to Exchange Rates Fluctuations

All the Group's assets, liabilities and transactions are denominated either in Hong Kong dollar, United States dollar or Renminbi. Foreign exchange risk arising from the normal course of operations is considered to be minimal.

Pledge of Asset

At 31 December 2022, the Group's leasehold land and buildings at net book value of approximately HK\$324.0 million (at 31 December 2021: HK\$337.0 million) were pledged to a bank to secure the bank borrowings granted to the Group.

Contingent Liabilities

At 31 December 2022, the Group did not have any material contingent liabilities (at 31 December 2021: Nil).

Significant Investments, Material Acquisition and Disposal

On 13 October 2021, the Company entered into the Equity Transfer Agreement with Golden Tourism Group Limited (金旅集團有限公司) (the “Vendor”), pursuant to which the Purchaser (being the Company or a subsidiary of the Company nominated by the Company) conditionally agreed to acquire, and the Vendor conditionally agreed to sell, representing 70% of the total equity interest of Sanqingshan Cultural Tourism Company Limited (三清山文化旅遊股份有限公司) at the consideration of RMB210.0 million. In view of the severe COVID-19 epidemic in China and Hong Kong in the first quarter of 2022, many work cannot be carried out and proceed, and the transaction requirements cannot be completed within the agreed timeline, the Equity Transfer Agreement has been rendered impossible to perform. As such, the Company issued a notice to the Vendor to terminate the transaction contemplated under the Equity Transfer Agreement on 27 June 2022.

Save as disclosed, for the twelve months ended 31 December 2022, the Group did not hold any significant investment with a value of 5% or more of the Group’s total assets and there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group.

STAFF

As at 31 December 2022, the Group employed 201 staff (2021: 201). The management believes that the competence of employees is a major contributing factor to the Group’s sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund, medical insurance and regulated employees’ social security program in China. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programs for staff are provided as and when required.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the twelve months ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently comprises the three Independent Non-Executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Dr. MENG Zhijun. The unaudited condensed consolidated interim results of the Group for the twelve months ended 31 December 2022 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the “Code”) throughout the twelve months ended 31 December 2022, except for the deviations as disclosed below:

According to Code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The chairperson of the Board (the “Chairperson”) is not subject to retirement by rotation as the Board considers that the continuity of office of the Chairperson provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

According to Code provision C.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of former chief executive officer in early 2022, the Company has not appointed the chief executive officer of the Company. The Board is looking for a suitable candidate to meet the needs of the effective operation of the Group. The Chairperson and the executive Directors are responsible to oversee the management of day-to-day operations of the Group until the appointment of the chief executive officer of the Company. The Board is reviewing the effectiveness of the structure to balance the power and authority of the Board and authority of the Board and the management from time to time.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in the Model Code as its code of conduct for dealings in securities of the Company by the Directors (the “Code of Conduct”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the twelve months ended 31 December 2022.

On behalf of the Board
China Ecotourism Group Limited
CHAN Tan Na, Donna
Chairperson

Hong Kong, 28 February 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.