



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

2022 SECOND INTERIM REPORT

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

	<i>Notes</i>	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 HK\$'000
Revenue	2	126,985	124,920
Costs of sales and services	3	(75,326)	(75,644)
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		(139,966)	(211,348)
Operating loss	6	(113,331)	(227,861)
Finance costs	7	(41,010)	(57,521)
Loss before income tax		(154,341)	(285,382)
Income tax (expense)/credit	8	(238)	4,471
Loss for the period/year		(154,579)	(280,911)
Loss attributable to:			
Owners of the Company		(155,072)	(258,312)
Non-controlling interests		493	(22,599)
		(154,579)	(280,911)
Loss per share attributable to owners of the Company for the period/year			
– basic	9	(5.02) HK cent	(11.34) HK cent
– diluted	9	(5.02) HK cent	(11.34) HK cent



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 HK\$'000
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

	Notes	Unaudited as at 31 December 2022 HK\$'000	Audited as at 31 December 2021 HK\$'000
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)

	Notes	Unaudited as at 31 December 2022 HK\$'000	Audited as at 31 December 2021 HK\$'000
Non-current liabilities			
Deferred income tax liabilities		37,694	39,161
Lease liabilities		6,991	3,375
		<u>44,685</u>	<u>42,536</u>
Net (liabilities)/assets		<u>(62,783)</u>	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		<u>(62,783)</u>	100,228

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Twelve months ended 31 December 2022 Attributable to owners of the Company				
	Share Capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
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 HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
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 HK\$'000	Audited Year ended 31 December 2021 HK\$'000
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)
	<hr/>	<hr/>
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
	<hr/>	<hr/>
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
	<hr/>	<hr/>
Cash and cash equivalents at end of the period/year	88,456	101,049
	<hr/> <hr/>	<hr/> <hr/>



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.



1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

1.1 *Going concern (Cont'd)*

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
	<hr/>	<hr/>
Revenue from contracts with customers (within the scope of HKFRS 15)	124,183	113,295
Lease income from operating leases	2,802	11,625
	<hr/>	<hr/>
Total revenue	126,985	124,920
	<hr/> <hr/>	<hr/> <hr/>

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

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

(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 HK\$'000	Natural and health food HK\$'000	Ecotourism HK\$'000	Total HK\$'000	
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				
Segment loss	<u>(3,100)</u>	<u>(1,148)</u>	<u>(11,590)</u>	<u>(15,838)</u>
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><u>(154,341)</u></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 HK\$'000	Natural and health food HK\$'000	Ecotourism HK\$'000	Total HK\$'000
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				(104,172)
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 Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 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
	805	21,827

5. OTHER (LOSSES)/GAINS – NET

	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 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)
	(25,829)	(26,480)



6. OPERATING LOSS

	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 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
	<u>90,455</u>	<u>97,425</u>

7. FINANCE COSTS

	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 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
	<u>41,010</u>	<u>57,521</u>

8. INCOME TAX EXPENSE/(CREDIT)

	Unaudited Twelve months ended 31 December 2022 HK\$'000	Audited Year ended 31 December 2021 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 as at 31 December 2022 HK\$'000	Audited as at 31 December 2021 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
	3,195	5,485

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	155,763	127,062

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	155,763

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
	<u>5,000,000,000</u>	<u>125,000</u>
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
	<u>3,088,442,199</u>	<u>77,211</u>
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						Total HK\$'000
	Twelve months ended 31 December 2022						
	Share Premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Currency translation reserve HK\$'000	Revaluation reserve HK\$'000	
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						Total
	Year ended 31 December 2021						
	Share Premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Currency translation reserve HK\$'000	Revaluation reserve 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.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Name of Director	Number of Shares at 31/12/2022	Number of Shares immediately after Share Consolidation became effective (Note 3)	Approximate percentage of the Company's issued share capital (Note 2)
Ms. CHAN Tan Na, Donna	85,936,000 (L)	4,296,800 (L)	2.78% (L)
Mr. WU Jingwei	24,660,000 (L)	1,233,000 (L)	0.80% (L)
Mr. QIU Peiyuan	39,110,000 (L) (Note 1)	1,955,500 (L)	1.27% (L)
Mr. HUANG Shenglan	110,000 (L)	5,500 (L)	0.01% (L)

Notes:

- 19,110,000 Shares beneficially owned by Mr. QIU Peiyuan. For the corporate interests, 20,000,000 Shares were held by Smart Best International Corporation, a company which was wholly-owned by Mr. QIU Peiyuan.
- Calculation of percentage of the Company's issued share capital is based on the issued share capital of 3,088,442,199 Shares of the Company as at 31 December 2022.
- As a result of the Share Consolidation, every twenty Shares consolidated into one Consolidated Share became effective on 20 January 2023.
- The letter "L" denotes long position(s).

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executives of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2022, as far as is known to the Directors, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executives of the Company) had interests and short positions in the shares and underlying shares of the Company:

Name of shareholder	Number of Shares at 31/12/2022	Number of Shares immediately after Share Consolidation became effective (Note 5)	Approximate percentage of the Company's issued share capital (Note 4)
Ms. LAU Ting	1,100,655,686 (L) (Note 1)	55,032,784 (L)	35.64% (L)
Mr. CAO Junsheng	250,500,000 (L) (Note 2)	12,525,000 (L)	8.11% (L)
China Carbon Neutral Development Group Limited (Note 3)	200,000,000 (L)	10,000,000 (L)	6.47% (L)



Notes:

1. 1,028,127,586 Shares beneficially owned by Ms. Lau Ting (“Ms. Lau”). For the corporate interests, 7,505,287 Shares were held by Hang Sing Overseas Limited which was wholly owned by Orient Strength Limited, a company which was wholly-owned by Ms. Lau. 13,773,554 Shares were held by Strong Purpose Corporation (“Strong Purpose”), a company which was wholly- owned by Ms. Lau and Mr. Chan Shing (“Mr. Chan”). 51,249,259 Shares were held by Glory Add Limited which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. Lau and Mr. Chan.
2. Such shares were held by Mao Yuan Capital Limited which was wholly owned by Mr. CAO Junsheng.
3. A company which is listed in the Hong Kong Stock Exchange.
4. Calculation of percentage of the Company’s issued share capital is based on the issued share capital of 3,088,442,199 Shares of the Company as at 31 December 2022.
5. As a result of the Share Consolidation, every twenty Shares consolidated into one Consolidated Share became effective on 20 January 2023.
6. The letter “L” denotes long position(s).

Save as disclosed above, as at 31 December 2022, there was no person (other than the Directors and chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.



SHARE OPTION SCHEME

A share option scheme of the Company was adopted on 18 May 2012 (the “2012 Option Scheme”), and the limit of granting option under the 2012 Option Scheme was refreshed on 27 May 2015 and 13 June 2019 respectively. The 2012 Option Scheme was valid and effective for a period of ten years commencing from 18 May 2012 and was expired on 18 May 2022.

At the annual general meeting of the Company held on 2 August 2022, an ordinary resolution was passed by the Shareholders to adopt a new share option scheme (the “2022 Option Scheme”) for the Company. On the basis of 3,088,442,199 Shares in issue on the date of adoption of 2022 Option Scheme, 308,844,219 Shares are available for grant under the scheme mandate limit. As at the date of the report, the scheme mandate limit was adjusted to 15,442,210 Consolidated Shares as a result of the effective of Share Consolidation.

There is no outstanding share option of the Company as at 31 December 2021. During the twelve month ended 31 December 2022, no share option was granted, exercised, cancelled or lapsed under the 2012 Option Scheme and the 2022 Option Scheme.

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.



USE OF PROCEEDS FROM RIGHTS ISSUE AND PLACING OF NEW SHARES

Further to the information disclosed in the 2022 interim report of the Company dated 19 August 2022 and the announcement of the Company dated 9 November 2022 in relation to the updates on the amounts utilised regarding the net proceeds (after deducting the relevant expenses) of approximately HK\$199.40 million (the "Net Proceeds") from the rights issue and the placing of new Shares in 2021, the movement in the use of Net Proceeds is stated as follows:

Intended use	Approximate amount of Net Proceeds HK\$'million	Approximate amount utilized during the year ended 31/12/2021 HK\$'million	Revised allocation of the unutilised Net Proceeds during the reporting period	Approximate amount revised allocation of the unutilised Net Proceeds HK\$'million	Approximate amount utilised during the twelve months ended 31/12/2022	Approximate amount unutilised as at 31/12/2022 HK\$'million
					HK\$'million	
(a) partial repayment of the New Option 1 Bonds	80.00	26.22	General working capital of the Group	(39.60)	14.18	0.00
(b) partial repayment of an existing bank borrowing (including interest)	30.00	30.00	Not applicable	-	-	0.00
(c) Set-Off	50.00	50.00	Not applicable	-	-	0.00
(d) general working capital of the Group	39.40	39.40	Not applicable	39.60	39.60	0.00
Total:	<u>199.40</u>	<u>145.62</u>			<u>53.78</u>	<u>0.00</u>

As announced by the Company on 9 November 2022, certain unutilised Net Proceeds has been re-allocated. Details of the change in the use of proceeds were set out in the announcement of the Company dated 9 November 2022 and the use of Net Proceeds has been consistent with the disclosure in the same announcement.



SHARE CONSOLIDATION

On 8 December 2022, the Board proposes to implement the Share Consolidation on the basis that every twenty issued and unissued Shares will be consolidated into one Consolidated Share. The Share Consolidation was approved by the Shareholders at the special general meeting held on 18 January 2023 (the "2023 SGM") and became effective on 20 January 2023.

Accordingly, the authorised share capital of the Company has become HK\$125,000,000 divided into 250,000,000 Consolidated Shares with par value of HK\$0.50 each. The Company has a total of 154,422,109 issued shares upon the Share Consolidation became effective.

SUBSCRIPTION AND LAPSE OF THE SUBSCRIPTION AGREEMENT

On 8 December 2022, the Company and the subscriber entered into the subscription agreement (the "Subscription Agreement"), pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 43,750,000 new Consolidated Shares (the "Subscription Shares") at the subscription price of HK\$0.80 per Subscription Share (the "Subscription"). The Subscription Shares will be allotted and issued pursuant to the specific mandate.

Completion of the Subscription is conditional upon, among other things, the approval of the Shareholders at the 2023 SGM and the Share Consolidation having become effective and the dealing in the Consolidated Shares having commenced.

As the resolution regarding the Subscription of new Consolidated Shares under the specific mandate was not passed by the Shareholders at the 2023 SGM, the Subscription Agreement had lapsed accordingly. The Subscription would not proceed as one of the conditions precedent to the Subscription Agreement had not been fulfilled.



CHANGES OF COMPANY WEBSITE, COMPANY SECRETARY, ADDRESS OF HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG AND FINANCIAL YEAR END DATE

The new website of the Company at www.ecotourgroup.com was officially launched on 31 March 2022.

Mr. SHIU Wing Yan resigned as the company secretary of the Company (the "Company Secretary") and Ms. WONG Yin Ming was appointed as the Company Secretary with effect from 1 August 2022.

The Company's address of head office and principal place of business in Hong Kong has changed to Unit 1801, 18/F., Landmark South, 39 Yip Kan Street, Wong Chuk Hang, Hong Kong with effect from 25 October 2022.

The Company's financial year end date has been changed from 31 December to 30 June. Accordingly, the next financial year end date of the Company will be 30 June 2023 and the next audited consolidated financial statements of the Company to be published will cover the period of 18 months commencing on 1 January 2022 and ending on 30 June 2023. The change is to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports, details please refer to the announcement dated on 28 December 2022.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS

Changes in directors' biographical details since the date of the 2021 annual report of the Company and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

Name of director	Details of changes
Ms. CHAN Tan Na Donna	Ceased to be an executive director and the chairman of China Carbon Neutral Development Group Limited, a company listed on the Stock Exchange

Save as disclosed above, there are no other changes in the directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.



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.



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.

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 report, 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.