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China Ecotourism Group Limited

中國生態旅遊集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

**ANNOUNCEMENT OF RESULTS
FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2023
AND
PROPOSED AMENDMENTS TO THE BYE-LAWS AND
ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS OF
THE COMPANY**

FINANCIAL RESULTS

The board of directors (the “Board” or the “Directors”) of China Ecotourism Group Limited (the “Company”) hereby presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the eighteen months ended 30 June 2023, together with the comparative audited figures for the year ended 31 December 2021 (the “Year 2021”), as follows:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the eighteen months ended 30 June 2023

	<i>Notes</i>	For the 18 months ended 30 June 2023 HK\$'000	For the year ended 31 December 2021 HK\$'000
Revenue	3	207,797	124,920
Costs of sales and services			
— Depreciation of lottery terminals		-	(3,867)
— Others		(145,495)	(80,160)
		(145,495)	(84,027)
Gross profit		62,302	40,893
Other income	5	3,152	21,827
Other losses - net	6	(32,318)	(26,480)
Net impairment losses on financial assets		(8,187)	(61,257)
Gain on disposal of a subsidiary		-	121
General and administrative expenses		(185,127)	(202,965)
Operating loss	7	(160,178)	(227,861)
Finance costs	8	(59,201)	(57,521)
Loss before income tax		(219,379)	(285,382)
Income tax (expense)/credit	9	(489)	4,471
Loss for the period/year		(219,868)	(280,911)
Loss attributable to:			
Owners of the Company		(219,030)	(258,312)
Non-controlling interests		(838)	(22,599)
		(219,868)	(280,911)
Loss per share attributable to owners of the Company			(Restated)
— basic (HK\$ per Share)	10	(1.42)	(2.27)
— diluted (HK\$ per Share)	10	(1.42)	(2.27)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2023

	For the 18 months ended 30 June 2023 <i>HK\$'000</i>	For the year ended 31 December 2021 <i>HK\$'000</i>
Loss for the period/year	(219,868)	(280,911)
Other comprehensive (expense)/income:		
<i>Items that will not be reclassified to profit or loss</i>		
Loss on revaluation of properties held for own use	<u>(3,554)</u>	<u>-</u>
	<u>(3,554)</u>	<u>-</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences		
- translation of financial statements of subsidiaries outside Hong Kong	(14,393)	7,668
- accumulated exchange differences to profit or loss upon disposal of a subsidiary	<u>-</u>	<u>(234)</u>
	<u>(14,393)</u>	<u>7,434</u>
Total of other comprehensive (expenses)/income for the period/year	<u>(17,947)</u>	<u>7,434</u>
Total comprehensive expense for the period/year	<u>(237,815)</u>	<u>(273,477)</u>
Attributable to:		
Owners of the Company	(229,134)	(257,946)
Non-controlling interests	<u>(8,681)</u>	<u>(15,531)</u>
Total comprehensive expense for the period/year	<u>(237,815)</u>	<u>(273,477)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 HK\$'000	At 31 December 2021 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		27,501	33,063
Right-of-use assets		309,012	322,969
Intangible assets		13,054	20,408
Interests in associates		189	189
Investment in a joint venture		-	-
Financial assets at fair value through profit or profit or loss		554	4,536
		<u>350,310</u>	<u>381,165</u>
Current assets			
Equity Investment at fair value through profit and loss		2,706	6,918
Inventories		18,229	21,347
Accounts receivable	<i>11</i>	7,185	11,713
Prepayments, deposits and other receivables		22,527	51,014
Restricted bank deposits		19,447	13,310
Cash and bank balances		84,207	87,739
		<u>154,301</u>	<u>192,041</u>
Total assets		<u>504,611</u>	<u>573,206</u>
Current liabilities			
Accounts payable	<i>12</i>	15,626	5,485
Accruals and other payables		64,622	34,830
Contract liabilities		52,800	35,211
Amount due to a joint venture		11,296	6,225
Amount due to a shareholder		33,800	1,224
Amounts due to a key management personnel		17,638	17,935
Tax payable		2,106	2,013
Bank and other borrowings		241,928	197,000
Lease liabilities		4,556	3,457
Convertible bonds		155,754	127,062
		<u>600,126</u>	<u>430,442</u>
Net current liabilities		<u>(445,825)</u>	<u>(238,401)</u>
Total assets less current liabilities		<u>(95,515)</u>	<u>142,764</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

At 30 June 2023

		At 30 June 2023 HK\$'000	At 31 December 2021 HK\$'000
	<i>Notes</i>		
Non-current liabilities			
Deferred income tax liabilities		36,863	39,161
Lease liabilities		5,209	3,375
		<u>42,072</u>	<u>42,536</u>
Net (liabilities)/assets		<u>(137,587)</u>	<u>100,228</u>
Equity attributable to owners of the Company			
Share capital	13	77,211	77,211
Accumulated losses		(2,224,196)	(2,011,224)
Statutory reserve		23,208	20,144
Other reserves		1,751,046	1,770,272
		<u>(372,731)</u>	<u>(143,597)</u>
Non-controlling interests		<u>235,144</u>	<u>243,825</u>
Total (deficit)/equity		<u>(137,587)</u>	<u>100,228</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Ecotourism Group Limited was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act of Bermuda.

The Group are technology and operation service providers and suppliers of lottery systems, terminal equipment and gaming products in the China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and KENO-type lottery to new media lottery. In 2019, the Group commenced the business engaging in research and development, processing, production and sales of natural and health food. In 2021, the Group develops and operates the business engaging in eco-tourism.

The Company's shares are currently listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKSA") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared on the historical cost basis, except for owned properties and related leasehold land, equity investment at fair value through profit or loss and certain financial assets and liabilities (including derivative instruments) that are measured at revalued amount or fair value.

Going concern

In preparing the consolidated 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\$219,868,000 for the 18 months ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$445,825,000 and has net liabilities of approximately HK\$137,587,000. These current liabilities included amount due to a shareholder amounting to approximately HK\$33,800,000, amounts due to key management personnel amounting to approximately HK\$17,638,000, bank and other borrowings amounting to approximately HK\$241,928,000 and convertible bonds amounting to approximately HK\$155,754,000 that will be due in the coming twelve months. The Group may not be able 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 30 June 2023, the Group only had cash and bank balances of approximately HK\$84,207,000 and restricted bank deposits of approximately HK\$19,447,000. 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\$233,285,000 that are secured by the Group's property located in Hong Kong. Taking into account (i) historical successful renewal of bank borrowings and (ii) the carrying amount of the pledged property in the amount of HK\$318,376,000 as at 30 June 2023, the directors believe that the Group will be able to renew the banking facilities;
- (b) The Group has also been actively negotiating with (i) various banks and persons or institutions providing finance to obtain additional new credit facilities and (ii) the holders of convertible bonds due in November 2023 to further extend the Maturity Date;
- (c) Subsequent to the end of the reporting period, the Group has obtained written confirmations from the relevant key management personnel that they will not demand repayment of the outstanding principals in the total amount of approximately HK\$17,638,000 and related accrued interests in the eighteen months from 22 September 2023;
- (d) Subsequent to the end of the reporting period, the Group has obtained written confirmation from Ms. Lau Ting, a substantial shareholder of the Company, that she expressed her willingness to continue her financial support to the Group, to provide adequate funds for the Group to meet its liabilities as they fall due and to subordinate her rights to repayment of all sums owing to her from the Group to its creditors, both present and future;
- (e) As disclosed in the announcement of the Company dated 4 August 2023, the disposal of a property situated in Hong Kong with the provisional agreement for sale and purchase entered on 5 June 2023 at a consideration of HK\$309,800,000 was not proceeded. The Group will continue to seek vendors to dispose of the property. The expected net proceeds arising from the disposal, after deducting the repayment of the outstanding bank and other borrowings for discharging the charge over the property and the related expenses, will be used for general working capital purposes by the Group.
- (f) The Group will continue to seek for equity financing opportunities;
- (g) The Group will continue to implement measures to speed up the collection of outstanding accounts and other receivables; and
- (h) 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 of the Company 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 of the Company consider it is appropriate to prepare the consolidated 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 consolidated financial statements.

Change of financial year end date

Pursuant to a resolution of the Board dated 28 December 2022, the Company's financial year end date has been changed from 31 December to 30 June commencing from the financial period from 1 January 2022 to 30 June 2023 in order to enable the Group to rationalise and mobilise its resources with higher efficiency for the preparation of results announcement as well as reports. Accordingly, the comparative figures presented for the audited consolidated statement of profit or loss, audited consolidated statement of comprehensive income, audited consolidated statement of change in equity, audited consolidated statement of cash flows and related notes cover the audited figures of the financial year from 1 January 2021 to 31 December 2021 which may not be comparable with the amounts shown for the current period.

Adoption of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRSs	Annual Improvements to HKFRS2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE

An analysis of the Group's revenue for the period/year is as follows:

	For the 18 months ended 30 June 2023 HK\$'000	For the year ended 31 December 2021 HK\$'000
Sales of lottery terminals and related equipment	136,503	81,503
Sales of natural and health food	2,600	3,089
Provision of technical and maintenance services	63,031	28,703
Provision of operation and management service for ecotourism services	2,926	-
Revenue from contracts with customers (within the scope of HKFRS 15)	205,060	113,295
Lease income from operating leases	2,737	11,625
Total revenue	207,797	124,920
Timing of revenue recognition of revenue from contracts with customers (within the scope of HKFRS 15)		
At a point in time	120,530	85,891
Over time	84,530	27,404
Total	205,060	113,295

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on revenue analysis byproducts.

Specifically, 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; and
3. Ecotourism – project development and operation of ecotourism.

Segment revenue and results

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

For the 18 months ended 30 June 2023	Lottery system, 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)	199,534	2,600	2,926	205,060
Lease income	2,737	-	-	2,737
Revenue from external customers	<u>202,271</u>	<u>2,600</u>	<u>2,926</u>	<u>207,797</u>
Segment loss	<u>(4,122)</u>	<u>(1,508)</u>	<u>(15,173)</u>	<u>(20,803)</u>
Interest income				1,350
Fair value loss on financial assets at fair value through profit or loss				(3,982)
Fair value loss on equity investment at fair value through profit or loss				(3,612)
Loss on remeasurement of convertible bonds				(21,367)
Net impairment losses on accounts receivable				(8,187)
Finance costs				(59,201)
Unallocated expenses				<u>(103,577)</u>
Loss before income tax				<u>(219,379)</u>
For the year ended 31 December 2021	Lottery system, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <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	
Revenue from external customers	<u>121,831</u>	<u>3,089</u>	<u>124,920</u>	
Segment loss	<u>(107,555)</u>	<u>(240)</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 accounts receivable and loans and advances				(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>

Segment assets and liabilities

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

Segment assets

	At 30 June 2023 HK\$'000	At 31 December 2021 HK\$'000
Lottery systems, terminal equipment and related products	66,334	106,413
Natural and health food	954	2,794
Ecotourism	9,513	-
	<hr/>	<hr/>
Total segment assets	76,801	109,207
Interests in associates	189	189
Financial assets at fair value through profit and loss	554	4,536
Equity investment at fair value through profit and loss	2,706	6,918
Unallocated	424,361	452,356
	<hr/>	<hr/>
Consolidated assets	504,611	573,206
	<hr/> <hr/>	<hr/> <hr/>

Segment liabilities

	At 30 June 2023 HK\$'000	At 31 December 2021 HK\$'000
Lottery systems, terminal equipment and related products	87,286	51,234
Natural and health food	11,740	16,757
Ecotourism	2,934	-
	<hr/>	<hr/>
Total segment liabilities	101,960	67,991
Unallocated	540,238	404,987
	<hr/>	<hr/>
Consolidated liabilities	642,198	472,978
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	For the 18 months ended 30 June 2023 <i>HK\$'000</i>	For the year ended 31 December 2021 <i>HK\$'000</i>
Interest income from bank deposits and loan receivables	1,350	4,780
Interest received from Beijing China Lottery Online Technology Limited	-	16,496
Government grants	1,057	133
Others	745	418
	<u>3,152</u>	<u>21,827</u>

6. OTHER LOSSES – NET

	For the 18 months ended 30 June 2023 <i>HK\$'000</i>	For the year ended 31 December 2021 <i>HK\$'000</i>
Fair value loss on financial assets at fair value through profit or loss	(3,982)	(2,232)
Fair value loss on equity investment at fair value through profit or loss	(3,612)	-
(Loss)/gain on remeasurement of convertible bonds	(21,367)	26,198
Gain on lease termination	202	372
Loss on disposal of property, plant and equipment	(2,959)	(2,542)
Impairment of goodwill and other intangible assets	-	(35,786)
Impairment of property, plant and equipment	-	(12,218)
Foreign exchange losses	(600)	(272)
	<u>(32,318)</u>	<u>(26,480)</u>

7. OPERATING LOSS

The Group's operating loss is arrived at after charging:

	For the 18 months ended 30 June 2023 HK\$'000	For the year ended 31 December 2021 HK\$'000
Costs of sales and services		
— Depreciation of lottery terminals	-	3,867
— Amortisation of intangible assets	4,988	8,359
— Business tax	514	366
— Cost of inventories recognised as expense	123,573	61,298
— Repairs and maintenance	2,333	205
— Staff costs	11,242	8,383
— Others	2,845	1,549
	145,495	84,027
Legal and professional fees	12,124	88,862
Auditors' remuneration	1,680	1,100
Depreciation of other items of property, plant and equipment recognised as general administrative expenses	4,642	3,623
Depreciation of right-of-use assets	23,990	14,325
Research and development expenditure	3,162	1,216

8. FINANCE COSTS

	For the 18 months ended 30 June 2023 HK\$'000	For the year ended 31 December 2021 HK\$'000
Interest expenses on bank and other borrowings	25,088	11,324
Interest expenses on lease liabilities	1,365	576
Interest expenses on amount due to a shareholder	4,303	2,210
Interest expenses on amounts due to key management personnel of the Group (including the directors of the Company)	1,589	1,136
Effective interest expense on convertible bonds	26,856	42,275
	59,201	57,521

9. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax is calculated at the rate of 16.5% (for the year ended 31 December 2021: 16.5%) on the estimated assessable profits for the period. No provision for Hong Kong Profits Tax has been made for the 18 months ended 30 June 2023 and the year ended 31 December 2021 as the Group had no assessable profits arising in or derived from Hong Kong for both period/year.

The applicable enterprise income tax rate for PRC subsidiaries is 25% (for the year ended 31 December 2021: 25%) except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (for the year ended 31 December 2021: 15%).

	For the 18 months ended 30 June 2023 HK\$'000	For the year ended 31 December 2021 HK\$'000
Current tax		
— PRC Enterprise Income Tax	2,003	-
— Adjustments in respect of prior years	-	(3,421)
Total current tax	2,003	(3,421)
Deferred tax		
— Origination and reversal of temporary differences	(1,514)	(1,050)
Income tax expense/(credit)	489	(4,471)

10. 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 154,422,000 (for the year ended 31 December 2021: 113,943,000) ordinary shares in issue during the reporting period.

The computation of diluted loss per share for the 18 months ended 30 June 2023 and the year ended 31 December 2021 did not assume the conversion of the convertible bonds since its assumed conversion would result in a decrease in loss per share.

11. ACCOUNTS RECEIVABLE

	At 30 June 2023	At 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease receivables	924	3,976
Trade receivables – goods and services	<u>15,257</u>	<u>9,000</u>
	16,181	12,976
Less: Loss allowance	<u>(8,996)</u>	<u>(1,263)</u>
	<u>7,185</u>	<u>11,713</u>

Lease income from lottery terminals and systems is billed on a monthly basis and is due 15 to 30 days after month-end. Revenue from sales of goods is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Revenue from provision of technical and maintenance services is billed on a half-yearly or yearly basis and is due 30 days after the invoice date. 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:

	At 30 June 2023	At 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than three months	7,164	7,537
Over three months but less than one year	21	181
Over one year	<u>-</u>	<u>3,995</u>
	<u>7,185</u>	<u>11,713</u>

12. ACCOUNTS PAYABLE

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

	At 30 June 2023	At 31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Less than three months	14,131	2,187
Over three months but less than one year	376	188
Over one year	<u>1,119</u>	<u>3,110</u>
	<u>15,626</u>	<u>5,485</u>

13. SHARE CAPITAL

	Authorised ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2021	1,600,000,000	40,000
Increase in authorised ordinary shares of HK\$0.025 each (<i>Note (i)</i>)	<u>3,400,000,000</u>	<u>85,000</u>
At 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	5,000,000,000	125,000
Decrease in authorised ordinary shares of HK\$0.025 each (<i>Note (iii)</i>)	<u>(4,750,000,000)</u>	<u>-</u>
At 30 June 2023		
Balance of authorised ordinary shares of HK\$0.50 each	<u>250,000,000</u>	<u>125,000</u>
	Issued and fully paid ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2021		
Balance of issued ordinary shares of HK\$0.025 each	1,029,480,733	25,737
New shares issued upon rights issue (<i>Note (ii)</i>)	1,569,905,533	39,248
New shares issued upon placing (<i>Note (ii)</i>)	<u>489,055,933</u>	<u>12,226</u>
At 31 December 2021, 1 January 2022, 31 December 2022 and 1 January 2023	3,088,442,199	77,211
Decrease in issued ordinary shares of HK\$0.025 each (<i>Note (iii)</i>)	<u>(2,934,020,090)</u>	<u>-</u>
At 30 June 2023		
Balance of issued ordinary shares of HK\$0.50 each	<u>154,422,109</u>	<u>77,211</u>

Notes:

- (i) Pursuant to the resolution passed by shareholders of the Company 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.
- (iii) Pursuant to the resolution passed by shareholders of the Company on 18 January 2023, every twenty (20) issued and unissued ordinary shares of HK\$0.025 each were consolidated into one (1) ordinary share of HK\$0.50 each in the share capital of the Company (the "Share Consolidation") became effective on 20 January 2023.

DIVIDEND

The Board does not recommend the payment of a final dividend for the eighteen months ended 30 June 2023 (for the year ended 31 December 2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2022, under such complicated and volatile external situations as the Russia-Ukraine conflict, soaring inflation, the continuous Fed interest rate hikes and the severe global economic downturn, the Chinese economy was also facing internal risks such as the resurgence of COVID-19 pandemic, real estate industry collapse and economic downturns. However, China has maintained its overall economic and social stability.

At the beginning of 2023, the COVID-19 pandemic receded rapidly, and all walks of life entered the post-pandemic recovery stage. In the first quarter of this year, the momentum of domestic demand recovery was obvious. However, in the second quarter, the three indicators of demand, namely exports in external demand, retail sales in domestic demand, and investment, all showed apparent downward trends, indicating that the economic recovery foundation is not yet solid and the downward pressure on the economy is increasing. The July macroeconomic data released by the National Bureau of Statistics of China revealed a comprehensive decline in various economic indicators. Currently, the biggest challenge facing the Chinese economy is insufficient demand, weak growth and weakening expectations.

In the past year and a half, our Group's business was adversely affected by the COVID-19 pandemic and amidst difficult internal and external environment. However, the Group has always maintained a cautious and optimistic outlook on its future business prospects, continuing to strive for progress while maintaining stability, diversifying its development, and actively expanding 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 has gradually picked up since 2021.

From early 2022 to the first half of 2023, China registered a growth in lottery sales. According to the data released by the Ministry of Finance ("MOF"), China's lottery ticket sales reached RMB424.652 billion in 2022 and RMB273.899 billion from January to June 2023. The cumulative sales from 2022 to the first half of 2023 amounted to RMB698.551 billion, a year-on-year increase of 25.8%. From 2022 to the first half of 2023, the welfare lottery sales edged up by 9.6% year-on-year to RMB237.948 billion; while sports lottery sales grew by 36.2% year-on-year to RMB460.604 billion. As for sales of different lottery products from 2022 to the first half of 2023, Lotto sales increased by 0.6% year-on-year to RMB239.811 billion. Single Match Games ("SMG") sales increased by 57.5% year-on-year to RMB302.897 billion. Paper-based Scratch Card ("PSC") sales increased by 25.4% year-on-year to RMB110.467 billion. KENO type Lottery ("KENO") sales increased by 23.7% to RMB45.375 billion. Video Lottery sales reached RMB1.29 million. The sales of Lotto, SMG, PSC and KENO accounted for 34.3%, 43.4%, 15.8% and 6.5% of total lottery sales, respectively. In terms of regional sales, Guangdong, Zhejiang, Jiangsu, Shandong and Henan ranked among the top five in terms of sales volume. Apart from Tibet, other provinces in China reported year-on-year growth in lottery sales, of which Anhui, Jiangsu, Hunan, Zhejiang, Hubei and Guizhou recorded year-on-year increases of more than 30%.

China's Ecotourism Market

In 2022, the COVID-19 pandemic caused the fluctuations in demand in the domestic travel market. Affected by its multi-point dispersal, local outbreaks of COVID-19 pandemic as well as its rapid spread due to nationwide restrictions loosening up in December, the tourism industry was bombarded seriously. At the beginning of 2023, COVID-19 pandemic miraculously retruded rapidly, and it was then re-classified from a “Class A Infectious Disease” to a “Class B Infectious Disease”. Although COVID-19 pandemic has caused re-infection in some people successively and influenza A has also formed a wave of epidemic, however, it has not exerted a significant impact on social production and people's livelihood. The vibrancy of the Chinese New Year and Labour Day tourism market reflected the general mentality of the public towards the pandemic and the retaliatory travel consumption accumulated over the past three years. In the first half of 2023, the tourism market fully recovered, with the number of trips and tourism revenue returning to pre-pandemic levels. However, with the continuous instability of the international political and economic environment, the acute overall economic and employment situation in China, weak economic growth, and increasing downward pressure on the economy currently, people have become more cautious and even dare not to consume recently. Therefore, the overall stable recovery of the tourism industry still needs to be observed in the overall trend of the domestic and foreign economy in the second half year.

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.

From 2022 to the first half of 2023, 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 RMB27.172 billion in 2022 to the first half of 2023, as it remained the top seller in provincial welfare lottery markets in China. Sales from the Chongqing Welfare Lottery market served by the Group in 2022 to the first half of 2023 amounted to RMB5.5 billion. In the sports lottery sector, the Group won the provincial sports lottery terminal procurement contracts of Gansu, Xinjiang, Guizhou, Inner Mongolia, 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 terms of the sports lottery sector, the Group topped the industry in terms of the number of Sports Lottery Terminals tendered in the first half of 2023; in regional markets, the Group won the tender for Guangdong Welfare Lottery Sales Terminals Procurement Project, Guangdong Computer Welfare Lottery Sales Management System Project, Guangdong Sports Lottery Terminals Supply Project and Guangzhou Welfare Lottery Sales Area Comprehensive Management Service 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 demonstrated our actions and achievements in deeply cultivating the largest provincial-level lottery market in China.

Overseas Business

In 2022, COVID-19 pandemic posed tremendous limitations on the implementation of the Group's overseas operations. In October 2022, the Group, together with its local partner in the Philippines, was authorized by the Philippine Charity Sweepstakes Office ("PCSO") to sell lottery tickets through personal electronic devices in the Philippines. In the fourth quarter of 2022, the Group started the technical interface with two major local payment platforms, GCASH and PAYMAYA, in the Philippines and has completed a lottery sales small program based on GCASH, making sufficient technical preparations for phase I product launch. Currently, the project is entering the final government compliance review stage, and it is expected that the POS terminal equipment project and the mobile phone sales lottery project will be launched one after another in 2023. Commencing the third quarter of 2022, the Philippine government has increased its efforts to crack down on online gambling and illegal lottery. The Group and its partners are actively planning interactive lottery game products for the Philippine government that are more suitable for middle- to high-income groups and the younger generation.

Furthermore, in December 2022, the Group joined hands with a 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 the lottery business in Ghana, achieving a good instant lottery dividend experience. The Ghana lottery project was launched online in January 2023. As of the end of June 2023, the number of handheld terminals deployed reached over 3,000, and sales amount have been increasing rapidly since its launch in January. The Group is confident that after about half a year of market cultivation, the number of terminal deployments is expected to reach 7,000, and sales amount will be significantly increased.

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

Over the past year, the Group had assigned a team to work closely with Jiyuan City Cultural Tourism Investment Group Limited (“Jiyuan City Group”) 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 March 2023, the Group signed the Strategic Cooperation Agreement with Jiyuan City Group. Both parties will adhere to the principle of “legality and compliance, complementary advantages, equality and mutual benefit, win-win cooperation” to carry out comprehensive, multi-level, and multi-mode “three-dimensional cooperation”, and jointly build the “first brand of Chinese tourist attractions”. After negotiations, both parties confirmed that the following project cooperation will first be carried out in the Wangwu Shan Scenic Area:

- (1) With the theme of the Taoist culture of the “Best Fairyland in the World” on Wangwu Shan, the Ziwei Xiangong Dao Culture Research Institute will be built at the original site of the Ziwei Palace. By leveraging our resource advantages, the Group aims to promote and inherit Taoist culture and Chinese medicine and health culture.
- (2) Based on the ecological resources of the Wangwu Shan World Geopark, we will jointly build the first highland for forest camping in China. Leveraging the resource advantages of Wangwu Shan, which is surrounded by forests and streams, with an optimal altitude and good ecology, they complement the business formats with the unique homestays such as Xiaoyou Dongtian and Xiaoshifang, and jointly establish the first brand and highland of forest camping in China.
- (3) Led by the development of the Wangmu Cave area behind Wangwu Shan, we will expand the depth of the tourist route in the Wangwu Shan Scenic Area, enhance the secondary consumption project through the construction of sightseeing cableways, and form a “big Wangwu” pattern, transforming the products of Wangwu Shan from “one-day tour” to “two-day tour” and “multi-day tour”.
- (4) Taking the creation of 5A as the driving force, the creation and improvement project of the Wangwu Shan 5A Scenic Area will be fully launched in 2023. In accordance with the various standards for 5A level scenic areas, the Group will fully empower from various aspects such as planning and construction, project improvement, operation and management, brand marketing, etc., and work together with Jiyuan City Group to strive to turn the Wangwu Shan Scenic Area into a national 5A level scenic area as soon as possible and promote Wangwu Shan to become a well-known scenic area nationwide.

In addition, both parties will seek in-depth cooperation on the entrusted operation of the Wangwu Old Street and Xiaoshifang Hotel under Jiyuan City Group.

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 that 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 provide 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.

Strategic Cooperation with Concord New Energy Group Limited in Beijing

On 6 June 2023, the Group signed a strategic cooperation agreement with Concord New Energy Group Limited in Beijing.

For a long period of time, both companies have paid close attention to the balance between economic development and environmental protection by insisting on the route of green, ecological and sustainable development, and we have made tremendous contributions to the development of local cultural and tourism industries. The comprehensively strategic cooperation between the two companies will usher in a new phase of “New Energy + Tourism”.

According to the agreement, both parties, leveraging their advantages and experience in the cultural and tourism industry and new energy, will actively promote the cooperation in the design of cultural and tourism projects, investment and development, operation and management, and marketing in various provinces across the country by integrating resources in the industry, innovation, service, talent and ecological chains. We will create a new mode of “New Energy + Tourism” to promote project implementation and operation and assist the development of the local cultural and tourism industry, aiming to create a better future for more people.

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 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 broadcasts, short videos and community operations. The Company formed six online sale platform matrices: Forest Food website, Forest Food APP, Forest Food WeChat mini-program, Tmall market and TikTok, and established a traffic channel from the public domain to the private domain through community operation.

In the first half of 2023, NFFL achieved significant breakthroughs in both its products and operation.

Since its launch, our wheat protein powder has received wide market recognition, which is proven by consumers’ feedback that products bear obvious effects, and also their repurchases. At the same time, the Company has upgraded the protein powder products and developed new flavors of bar products simultaneously. It upgraded the automated line for protein powder canning and bar loading, realizing the automated production of these products, and the Company will launch more upgraded products in the future.

In terms of mushrooms, NFFL has been expanded to include new products such as arimillaria mellea, bolete, Morchella and termitomyces albuminosus. At the same time, it added more spicy products such as anise, cinnamon, myrcia, Sichuan Pepper, chilli, Amomum tsao-ko, netmeg and fennel seed. All are produced by our factories and have been marketed.

For the operation, the Company has applied promotional channels including WeChat video account and Xiaohongshu in addition to our six platforms like Forest Food. Combining with its own new media matrix and the distribution of the content of the Net celebrities, the Company achieved direct sales, brand exposure and private diversion through live broadcasting, short videos, graphics, and other forms. At the same time, it has developed various cooperation channels, such as distribution group leaders, MCN organization, and major customer sourcing. At present, the Company has built a private community regime with nearly 600 private users, dozens of distribution group leaders, and more than 100 distribution anchors, and we keep on growing.

By focusing on channel operations, NFFL will market its products in full force based on the achievements in the first half year, hoping to bring higher results and profits to the Group.

FUTURE OUTLOOK

Amid lackluster economic growth and higher interest rates, inflation and geopolitical risks facing the entire world currently, China faces an unstable foundation in economic recovery, which requires more efforts to promote a sustained economic upturn. Despite this, the Group remains cautiously optimistic about its business prospects. We believe that confidence is more important than gold, thus we should be more confident, especially in this critical moment.

The central government has put forward the core task of building a modernized and strong socialist country, which requires both speed and quality in its growth. China's economy has huge development resilience and potential, therefore the long-term positive fundamentals remain unchanged. The government has taken a series of strong measures to facilitate economic recovery in the post-pandemic era, and various policies to guarantee high-quality development. We believe that the economy in China will grow rapidly and residents' consumption power will further increase, thereby China's lottery market and ecotourism market will recover comprehensively.

In recent years, with "building a responsible, trustworthy and high-quality national public welfare lottery" as its goal, China's lottery industry has carried out a great deal of work in risk prevention and control, brand building, channel management, and the promotion of healthy sales, etc. As a result, the industry has made tremendous progress in some core indicators and basic elements in its transformation and development, achieving phrase gaining. Now China's lottery industry has become more regularized and standardized.

With our in-depth understanding of and ongoing investment in the lottery business over the years, the Group will continue to provide full-product and full value-chain services for lottery organizations, including "technical systems, terminal equipment, gaming products and channel service management", so as to maintain its leading position in China's lottery industry. At the same time, the Group will leverage its advantageous resources to achieve extensive cooperation. At the same time, the Group will go global by relying on the domestic market and opening up more new business segments.

The Group will also continue to consolidate its resources and promote ecotourism in China and natural and health food businesses as it incubates new business growth niches through ongoing innovation to strive for greater investment returns for shareholders.

FINANCIAL REVIEW

The Group recorded a turnover of approximately HK\$207.8 million (for the year ended 31 December 2021: HK\$124.9 million) for the 18 months ended 30 June 2023, representing an increase of approximately 66% over Year 2021. Loss attributable to owners of the Company for the 18 months ended 30 June 2023 amounted to approximately HK\$219.0 million (for the year ended 31 December 2021: HK\$258.3 million).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 30 June 2023, the Group had net current liabilities of approximately HK\$445.8 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.

The Group had outstanding bank and other borrowings as at 30 June 2023 of approximately HK\$241.9 million (at 31 December 2021: HK\$197.0 million). As at 30 June 2023, 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\$318.4 million (at 31 December 2021: HK\$336.7 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 30 June 2023, 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 to HK\$33.8 per share with effect from 20 January 2023 as a result of the completion of the share consolidation. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding New Option 1 Bonds was 4,561,005 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 shares and the maximum number of shares that will be issued upon conversion of all the outstanding New Option 1 Bonds at the adjusted conversion price is 4,561,005 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 deficit amounted to approximately HK\$137.6 million at 30 June 2023 (total equity at 31 December 2021: HK\$100.2 million). At 30 June 2023, net current liabilities of the Group amounted to approximately HK\$445.8 million (at 31 December 2021: HK\$238.4 million), including approximately HK\$103.7 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 30 June 2023 was approximately 127.3% (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 Assets

As at 30 June 2023, the Group's leasehold land and buildings at net book value of approximately HK\$318.4 million (at 31 December 2021: HK\$336.7 million) were pledged to secure the bank and other borrowings granted to the Group.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities (At 31 December 2021: Nil).

Staff

As at 30 June 2023, the Group employed 209 full time employees (31 December 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. The Group will further strengthen its team buildup, in order to offer enhanced services for all business of the Group.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the eighteen months ended 30 June 2023.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code (the "Code") under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the eighteen months ended 30 June 2023, 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 DEALING 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 throughout the eighteen months ended 30 June 2023.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises the three Independent Non-executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Dr. MENG Zhijun.

The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited consolidated results contained herein have been reviewed by the Audit Committee and approved by the Board.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Company's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the eighteen months ended 30 June 2023 as set out in this announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited ("McMillan"), to the amounts set out in the Company's audited consolidated financial statements for the eighteen months ended 30 June 2023.

The work performed by McMillan in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or no assurance has been expressed by McMillan on this announcement.

PROPOSED AMENDMENTS TO THE BYE-LAWS AND ADOPTION OF THE AMENDED AND RESTATED BYE-LAWS OF THE COMPANY

The Board proposed to amend and restate the existing Memorandum of Association and New Bye-Laws of the Company (the "Bye-laws") for the purposes of, among others, aligning the Bye-laws with the legal and regulatory requirements, including the applicable laws of the Bermuda and the amendments made to Appendix 3, in respect to a uniform set of 14 "Core Standards" for the shareholder protections, to the Listing Rules which took effect on 1 January 2022.

Other house-keeping amendments to the Bye-laws are also proposed for the purpose of clarifying existing practices and making consequential amendments in line with the amendments to the Bye-laws (collectively, the "Amendments").

The proposed Amendments are subjected to the approval of the shareholders of the Company (the "Shareholders") by way of a special resolution (the "Special Resolution") at the upcoming annual general meeting ("AGM"), with the amendments to take effect when the proposed Amendments become effective at the AGM. Prior to the passing of the Special Resolution, the existing Bye-laws shall remain valid.

A circular of the AGM of the Company containing, inter alia, full details of the proposed Amendments to the Bye-laws, together with a notice of the AGM of the Company and the related proxy form, will be despatched to the Shareholders in due course.

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

Hong Kong, 22 September 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.