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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023**

### **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 six months ended 31 December 2023 as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

|                                                                              |    | Unaudited              |                        |
|------------------------------------------------------------------------------|----|------------------------|------------------------|
|                                                                              |    | Six months ended       |                        |
|                                                                              |    | 31 December            | 30 June                |
|                                                                              |    | 2023                   | 2022                   |
| <i>Notes</i>                                                                 |    | <i>HK\$'000</i>        | <i>HK\$'000</i>        |
| Revenue                                                                      | 2  | 47,457                 | 51,576                 |
| Costs of sales and services                                                  | 3  | <u>(34,160)</u>        | <u>(21,768)</u>        |
| Gross profit                                                                 |    | 13,297                 | 29,808                 |
| Other income                                                                 | 4  | 3,532                  | 241                    |
| Other (losses)/gains - net                                                   | 5  | (160)                  | (22,832)               |
| General and administrative expenses                                          |    | <u>(39,718)</u>        | <u>(71,275)</u>        |
| Operating loss                                                               | 6  | (23,049)               | (64,058)               |
| Changes in interest and obligation in respect of a deconsolidated subsidiary | 7  | (40,073)               | —                      |
| Finance costs                                                                | 8  | <u>(17,533)</u>        | <u>(23,880)</u>        |
| Loss before income tax                                                       |    | (80,655)               | (87,938)               |
| Income tax credit                                                            | 9  | <u>445</u>             | <u>523</u>             |
| Loss for the period                                                          |    | <u><b>(80,210)</b></u> | <u><b>(87,415)</b></u> |
| <b>Loss attributable to:</b>                                                 |    |                        |                        |
| Owners of the Company                                                        |    | (71,577)               | (85,939)               |
| Non-controlling interests                                                    |    | <u>(8,633)</u>         | <u>(1,476)</u>         |
|                                                                              |    | <u><b>(80,210)</b></u> | <u><b>(87,415)</b></u> |
|                                                                              |    |                        | (restated)             |
| <b>Loss per share attributable to owners of the Company for the period</b>   |    |                        |                        |
| — basic (HK\$ per share)                                                     | 10 | <u><b>(0.46)</b></u>   | <u><b>(1.18)</b></u>   |
| — diluted (HK\$ per share)                                                   | 10 | <u><b>(0.46)</b></u>   | <u><b>(1.18)</b></u>   |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|                                                         | Unaudited        |                 |
|---------------------------------------------------------|------------------|-----------------|
|                                                         | Six months ended |                 |
|                                                         | 31 December      | 30 June         |
|                                                         | 2023             | 2022            |
|                                                         | HK'000           | HK'000          |
| Loss for the period                                     | (80,210)         | (87,415)        |
| Other comprehensive expense for the period:             |                  |                 |
| <i>Items that may be reclassified to profit or loss</i> |                  |                 |
| Currency translation differences                        | —                | (2,913)         |
| Total comprehensive expense for the period              | <u>(80,210)</u>  | <u>(90,328)</u> |
| <b>Attributable to:</b>                                 |                  |                 |
| Owners of the Company                                   | (71,577)         | (85,939)        |
| Non-controlling interests                               | <u>(8,633)</u>   | <u>(4,389)</u>  |
| <b>Total comprehensive expense for the period</b>       | <u>(80,210)</u>  | <u>(90,328)</u> |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|                                                        |              | Unaudited<br>as at<br>31 December<br>2023<br><i>HK\$'000</i> | Audited<br>as at<br>30 June<br>2023<br><i>HK\$'000</i> |
|--------------------------------------------------------|--------------|--------------------------------------------------------------|--------------------------------------------------------|
|                                                        | <i>Notes</i> |                                                              |                                                        |
| <b>Non-current assets</b>                              |              |                                                              |                                                        |
| Property, plant and equipment                          |              | 4,988                                                        | 27,501                                                 |
| Right-of-use assets                                    |              | 7,982                                                        | 309,012                                                |
| Intangible assets                                      |              | 11,392                                                       | 13,054                                                 |
| Interests in associates                                |              | 189                                                          | 189                                                    |
| Financial assets at fair value through profit or loss  |              | 214                                                          | 554                                                    |
|                                                        |              | <b>24,765</b>                                                | 350,310                                                |
| <b>Current assets</b>                                  |              |                                                              |                                                        |
| Equity investment at fair value through profit or loss |              | 2,706                                                        | 2,706                                                  |
| Interest in a deconsolidated subsidiary                | 7            | 193,403                                                      | —                                                      |
| Inventories                                            |              | 21,417                                                       | 18,229                                                 |
| Accounts receivable                                    | 11           | 5,464                                                        | 7,185                                                  |
| Prepayments, deposits and other receivables            |              | 13,260                                                       | 22,527                                                 |
| Restricted bank deposits                               |              | 20,498                                                       | 19,447                                                 |
| Cash and bank balances                                 |              | 60,133                                                       | 84,207                                                 |
|                                                        |              | <b>316,881</b>                                               | 154,301                                                |
| <b>Total assets</b>                                    |              | <b>341,646</b>                                               | 504,661                                                |
| <b>Current liabilities</b>                             |              |                                                              |                                                        |
| Accounts payable                                       | 12           | 1,808                                                        | 15,626                                                 |
| Accruals and other payables                            |              | 84,827                                                       | 64,622                                                 |
| Contract liabilities                                   |              | 50,593                                                       | 52,800                                                 |
| Amounts due to a joint venture                         |              | 11,296                                                       | 11,296                                                 |
| Amounts due to a shareholder                           |              | 37,150                                                       | 33,800                                                 |
| Amounts due to a key management personnel              |              | 16,668                                                       | 17,638                                                 |
| Tax payable                                            |              | 1,031                                                        | 2,106                                                  |
| Bank and other borrowings                              |              | 162,000                                                      | 241,928                                                |
| Lease liabilities                                      |              | 3,668                                                        | 4,556                                                  |
| Convertible bonds                                      | 13           | 161,257                                                      | 155,754                                                |
|                                                        |              | <b>530,298</b>                                               | 600,126                                                |
| <b>Net current liabilities</b>                         |              | <b>(213,417)</b>                                             | (445,825)                                              |
| <b>Total assets less current liabilities</b>           |              | <b>(188,652)</b>                                             | (95,515)                                               |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
(Cont'd)

|                                                     |              | Unaudited<br>as at<br>31 December<br>2023<br><i>HK\$'000</i> | Audited<br>as at<br>30 June<br>2023<br><i>HK\$'000</i> |
|-----------------------------------------------------|--------------|--------------------------------------------------------------|--------------------------------------------------------|
|                                                     | <i>Notes</i> |                                                              |                                                        |
| <b>Non-current liabilities</b>                      |              |                                                              |                                                        |
| Deferred income tax liabilities                     |              | 30,401                                                       | 36,863                                                 |
| Lease liabilities                                   |              | 5,234                                                        | 5,209                                                  |
|                                                     |              | 35,635                                                       | 42,072                                                 |
| <b>Net liabilities</b>                              |              | <b>(224,287)</b>                                             | <b>(137,587)</b>                                       |
| <b>Equity attributable to owners of the Company</b> |              |                                                              |                                                        |
| Share capital                                       | 14           | 77,211                                                       | 77,211                                                 |
| Accumulated losses                                  |              | (2,294,075)                                                  | (2,224,196)                                            |
| Statutory reserve                                   |              | 24,515                                                       | 23,208                                                 |
| Other reserves                                      | 15           | 1,741,551                                                    | 1,751,046                                              |
|                                                     |              | (450,798)                                                    | (372,731)                                              |
| <b>Non-controlling interests</b>                    |              | 226,511                                                      | 235,144                                                |
| <b>Total deficit</b>                                |              | <b>(224,287)</b>                                             | <b>(137,587)</b>                                       |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Six months ended 31 December 2023

Attributable to owners of the Company

|                                                               | Share<br>Capital<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Statutory<br>reserve<br><i>HK\$'000</i> | Other<br>reserves<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------------------|--------------------------|
| At 1 July 2023                                                | 77,211                              | (2,224,196)                              | 23,208                                  | 1,751,046                            | 235,144                                             | (137,587)                |
| Loss for the period                                           | —                                   | (71,577)                                 | —                                       | —                                    | (8,633)                                             | (80,210)                 |
| Other comprehensive expenses:                                 |                                     |                                          |                                         |                                      |                                                     |                          |
| Currency translation differences                              | —                                   | —                                        | —                                       | (6,490)                              | —                                                   | (6,490)                  |
| Total of comprehensive expenses                               | —                                   | (71,577)                                 | —                                       | (6,490)                              | (8,633)                                             | (86,700)                 |
| Appropriation to statutory reserve                            | —                                   | (1,307)                                  | 1,307                                   | —                                    | —                                                   | —                        |
| Release of revaluation reserve upon:                          |                                     |                                          |                                         |                                      |                                                     |                          |
| - Depreciation of owned properties and related leasehold land | —                                   | 3,005                                    | —                                       | (3,005)                              | —                                                   | —                        |
| <b>At 31 December 2023</b>                                    | <b>77,211</b>                       | <b>(2,294,075)</b>                       | <b>24,515</b>                           | <b>1,741,551</b>                     | <b>226,511</b>                                      | <b>(224,287)</b>         |

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

Unaudited

Six months ended 30 June 2022

Attributable to owners of the Company

|                                                                     | Share<br>Capital<br><i>HK\$'000</i> | Accumulated<br>losses<br><i>HK\$'000</i> | Statutory<br>reserve<br><i>HK\$'000</i> | Other<br>reserves<br><i>HK\$'000</i> | Non-<br>controlling<br>interests<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---------------------------------------------------------------------|-------------------------------------|------------------------------------------|-----------------------------------------|--------------------------------------|-----------------------------------------------------|--------------------------|
| At 1 January 2022                                                   | 77,211                              | (2,011,224)                              | 20,144                                  | 1,770,272                            | 243,825                                             | 100,228                  |
| Loss for the period                                                 | —                                   | (85,939)                                 | —                                       | —                                    | (1,476)                                             | (87,415)                 |
| Other comprehensive expenses:                                       |                                     |                                          |                                         |                                      |                                                     |                          |
| Currency translation<br>differences                                 | —                                   | —                                        | —                                       | 128                                  | (2,913)                                             | (2,785)                  |
| Total of comprehensive<br>expenses                                  | —                                   | (85,939)                                 | —                                       | 128                                  | (4,389)                                             | (90,200)                 |
| Release of revaluation reserve<br>upon:                             |                                     |                                          |                                         |                                      |                                                     |                          |
| - Depreciation of owned<br>properties and related<br>leasehold land | —                                   | 3,058                                    | —                                       | (3,058)                              | —                                                   | —                        |
| At 30 June 2022                                                     | 77,211                              | (2,094,105)                              | 20,144                                  | 1,767,342                            | 239,436                                             | 10,028                   |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

|                                                        | <b>Unaudited</b>        |                 |
|--------------------------------------------------------|-------------------------|-----------------|
|                                                        | <b>Six months ended</b> |                 |
|                                                        | <b>31 December</b>      | 30 June         |
|                                                        | <b>2023</b>             | 2022            |
|                                                        | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Operating cash flows before changes in working capital | <b>(25,606)</b>         | (29,552)        |
| Changes in working capital                             | <b>11,334</b>           | (14,139)        |
| Income tax paid                                        | <b>(1,075)</b>          | —               |
|                                                        | <hr/>                   | <hr/>           |
| Net cash used in operating activities                  | <b>(15,347)</b>         | (43,691)        |
| Net cash used in investing activities                  | <b>(810)</b>            | (1,377)         |
| Net cash used in financing activities                  | <b>(7,917)</b>          | (3,788)         |
|                                                        | <hr/>                   | <hr/>           |
| Net decrease in cash and cash equivalents              | <b>(24,074)</b>         | (48,856)        |
| Effect of foreign exchange rate changes                | —                       | 836             |
| Cash and cash equivalents at beginning of the period   | <b>84,207</b>           | 101,049         |
|                                                        | <hr/>                   | <hr/>           |
| Cash and cash equivalents at end of the period         | <b>60,133</b>           | 53,029          |
|                                                        | <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 Deconsolidation of a subsidiary

As disclosed in the announcements of the Company dated 1, 15 and 21 December 2023, events of default occurred in relation to the loan facility, short-term loan agreement and convertible bonds. The Company was notified on 20 December 2023 that Mr. Gwynn Hokins and Ms. LAU Wing Yi of Perun Consultants Limited have been appointed on 18 December 2023 by the security agent (the “Security Agent”), the trustee of the HK\$154,162,000 7.0% convertible bonds due 2023 (the “Bonds”), as Joint and Several Receivers and Managers over all shares held by China LotSynergy Group Limited (“CLGL”), a wholly owned subsidiary of the Company, in Goldwide Limited (“Goldwide”) pursuant to the share charge provided by CLGL in favour of the Security Agent on 5 May 2022.

The management of the Company is in the course of seeking for a possible solution to the issues resulting from the defaults. Since the Company has lost control over Goldwide with effect from 18 December 2023, in the preparation of the interim financial statements, Goldwide was deconsolidated with effect from 18 December 2023.

### 1.2 Going concern

In preparing the unaudited 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\$71,577,000 for the 6 months ended 31 December 2023 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$213,417,000 and has net liabilities of approximately HK\$224,287,000. These current liabilities included amount due to a shareholder amounting to approximately HK\$37,150,000, amounts due to key management personnel amounting to approximately HK\$16,668,000, bank and other borrowings amounting to approximately HK\$162,000,000 and convertible bonds amounting to approximately HK\$161,257,000 that have been overdue or in defaults. The Group might not be able to meet its liabilities in full unless it is able to generate sufficient cash flows from future operations and/or other sources, since as at 31 December 2023, the Group only had cash and bank balances of approximately HK\$60,133,000 and restricted bank deposits of HK\$20,498,000. 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 management of the Group is in the course of seeking for a possible solution to the issues resulting from the defaults and will work closely with its advisors, Acclime Corporate Advisory (Hong Kong) Limited, to conduct a review of the financial positions of the Group and formulate a viable restructuring plan;
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities;

- (c) The Group will continue to seek for equity financing opportunities;
- (d) The Group will continue to implement measures to speed up the collection of outstanding accounts and other receivables; and
- (e) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities. Accordingly, the directors of the Company consider it is appropriate to prepare the unaudited 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 unaudited condensed consolidated interim financial statements.

### **1.3 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.

### **1.4 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 July 2023, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 31 December 2023 are consistent with those adopted in the preparation of audited financial statements for the 18 months ended 30 June 2023.

For the six months ended 31 December 2023, 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 July 2023. 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:

|                                                                         | <b>Unaudited</b>        |                 |
|-------------------------------------------------------------------------|-------------------------|-----------------|
|                                                                         | <b>Six months ended</b> |                 |
|                                                                         | <b>31 December</b>      | 30 June         |
|                                                                         | <b>2023</b>             | 2022            |
|                                                                         | <b>HK\$'000</b>         | <b>HK\$'000</b> |
| Sales of lottery terminals and related equipment                        | <b>29,700</b>           | 24,820          |
| Sales of natural and health food                                        | <b>2,351</b>            | 1,359           |
| Provision of operation and management for ecotourism business           | <b>1,391</b>            | 1,510           |
| Provision of technical and maintenance services                         | <b>14,015</b>           | 21,392          |
|                                                                         | <hr/>                   | <hr/>           |
| Revenue from contracts with customers<br>(within the scope of HKFRS 15) | <b>47,457</b>           | 49,081          |
| Lease income from operating leases                                      | —                       | 2,495           |
|                                                                         | <hr/>                   | <hr/>           |
| Total revenue                                                           | <b>47,457</b>           | 51,576          |
|                                                                         | <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<br>Six months ended 31 December 2023                                             |                                                  |                               |                          |
|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|--------------------------------------------------|-------------------------------|--------------------------|
|                                                                                    | Lottery<br>systems,<br>terminal<br>equipment<br>and related<br>products<br><i>HK\$'000</i> | Natural<br>and health<br>food<br><i>HK\$'000</i> | Ecotourism<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Segment revenue:                                                                   |                                                                                            |                                                  |                               |                          |
| Revenue from contracts with customers<br>(within the scope of HKFRS 15)            | 43,715                                                                                     | 2,351                                            | 1,391                         | 47,457                   |
| Lease income                                                                       | —                                                                                          | —                                                | —                             | —                        |
|                                                                                    | <hr/>                                                                                      | <hr/>                                            | <hr/>                         | <hr/>                    |
| Revenue from external customers                                                    | <b>43,715</b>                                                                              | <b>2,351</b>                                     | <b>1,391</b>                  | <b>47,457</b>            |
|                                                                                    | <hr/> <hr/>                                                                                | <hr/> <hr/>                                      | <hr/> <hr/>                   | <hr/> <hr/>              |
| Segment loss                                                                       | <b>(5,740)</b>                                                                             | <b>(781)</b>                                     | <b>(1,756)</b>                | <b>(8,277)</b>           |
|                                                                                    | <hr/> <hr/>                                                                                | <hr/> <hr/>                                      | <hr/> <hr/>                   | <hr/> <hr/>              |
| Interest income                                                                    |                                                                                            |                                                  |                               | 257                      |
| Fair value loss on financial assets at<br>fair value through profit or loss        |                                                                                            |                                                  |                               | (339)                    |
| Changes in interest and obligation in<br>respect of a deconsolidated<br>subsidiary |                                                                                            |                                                  |                               | (40,073)                 |
| Finance costs                                                                      |                                                                                            |                                                  |                               | (17,553)                 |
| Unallocated expenses                                                               |                                                                                            |                                                  |                               | (14,670)                 |
|                                                                                    |                                                                                            |                                                  |                               | <hr/>                    |
| Loss before income tax                                                             |                                                                                            |                                                  |                               | <b>(80,655)</b>          |
|                                                                                    |                                                                                            |                                                  |                               | <hr/> <hr/>              |

## 2. Revenue and segment information (Cont'd)

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

|                                                                             | Unaudited<br>Six months ended 30 June 2022                                                 |                                               |                               |                          |
|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------|--------------------------|
|                                                                             | Lottery<br>systems,<br>terminal<br>equipment<br>and related<br>products<br><i>HK\$'000</i> | Natural and<br>health food<br><i>HK\$'000</i> | Ecotourism<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Segment revenue:                                                            |                                                                                            |                                               |                               |                          |
| Revenue from contracts with customers<br>(within the scope of HKFRS 15)     | 46,212                                                                                     | 1,359                                         | 1,510                         | 49,081                   |
| Lease income                                                                | 2,495                                                                                      | —                                             | —                             | 2,495                    |
|                                                                             | <hr/>                                                                                      | <hr/>                                         | <hr/>                         | <hr/>                    |
| Revenue from external customers                                             | 48,707                                                                                     | 1,359                                         | 1,510                         | 51,576                   |
|                                                                             | <hr/>                                                                                      | <hr/>                                         | <hr/>                         | <hr/>                    |
| Segment loss                                                                | (4,344)                                                                                    | (708)                                         | (3,302)                       | (8,354)                  |
|                                                                             | <hr/>                                                                                      | <hr/>                                         | <hr/>                         | <hr/>                    |
| Interest income                                                             |                                                                                            |                                               |                               | 241                      |
| Fair value loss on financial assets at<br>fair value through profit or loss |                                                                                            |                                               |                               | (1,459)                  |
| Loss on remeasurement of convertible<br>bonds                               |                                                                                            |                                               |                               | (21,367)                 |
| Finance costs                                                               |                                                                                            |                                               |                               | (23,880)                 |
| Unallocated expenses                                                        |                                                                                            |                                               |                               | (33,119)                 |
|                                                                             |                                                                                            |                                               |                               | <hr/>                    |
| Loss before income tax                                                      |                                                                                            |                                               |                               | (87,938)                 |
|                                                                             |                                                                                            |                                               |                               | <hr/>                    |

## 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

|                                                          | <b>Unaudited<br/>as at<br/>31 December<br/>2023<br/>HK\$'000</b> | Audited<br>as at<br>30 June<br>2023<br>HK\$'000 |
|----------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------|
| Lottery systems, terminal equipment and related products | 115,795                                                          | 66,334                                          |
| Natural and health food                                  | 888                                                              | 954                                             |
| Ecotourism                                               | <u>8,010</u>                                                     | <u>9,513</u>                                    |
| Total segment assets                                     | 124,693                                                          | 76,801                                          |
| Interests in associates                                  | 189                                                              | 189                                             |
| Financial assets at fair value through profit or loss    | 214                                                              | 554                                             |
| Equity investment at fair value through profit or loss   | 2,706                                                            | 2,706                                           |
| Unallocated                                              | <u>213,844</u>                                                   | <u>424,361</u>                                  |
| Consolidated assets                                      | <u><b>341,646</b></u>                                            | <u><b>504,611</b></u>                           |

#### Segment liabilities

|                                                          | <b>Unaudited<br/>as at<br/>31 December<br/>2023<br/>HK\$'000</b> | Audited<br>as at<br>30 June<br>2023<br>HK\$'000 |
|----------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------|
| Lottery systems, terminal equipment and related products | 106,712                                                          | 87,286                                          |
| Natural and health food                                  | 11,454                                                           | 11,740                                          |
| Ecotourism                                               | <u>4,907</u>                                                     | <u>2,934</u>                                    |
| Total segment liabilities                                | 123,073                                                          | 101,960                                         |
| Unallocated                                              | <u>442,860</u>                                                   | <u>540,238</u>                                  |
| Consolidated liabilities                                 | <u><b>565,933</b></u>                                            | <u><b>642,198</b></u>                           |

## 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        |               |
|------------------------------------|------------------|---------------|
|                                    | Six months ended |               |
|                                    | 31 December      | 30 June       |
|                                    | 2023             | 2022          |
|                                    | HK\$'000         | HK\$'000      |
| People's Republic of China ("PRC") | 46,293           | 50,796        |
| Others                             | 1,164            | 780           |
|                                    | <u>47,457</u>    | <u>51,576</u> |

## 3. Cost of sales and services

|                                           | Unaudited        |               |
|-------------------------------------------|------------------|---------------|
|                                           | Six months ended |               |
|                                           | 31 December      | 30 June       |
|                                           | 2023             | 2022          |
|                                           | HK\$'000         | HK\$'000      |
| Amortisation of intangible assets         | 1,663            | 1,663         |
| Business tax                              | 110              | 194           |
| Cost of inventories recognised as expense | 23,161           | 19,475        |
| Repairs and maintenance                   | 4                | 32            |
| Others                                    | 9,222            | 404           |
|                                           | <u>34,160</u>    | <u>21,768</u> |

## 4. Other income

|                                                         | Unaudited        |            |
|---------------------------------------------------------|------------------|------------|
|                                                         | Six months ended |            |
|                                                         | 31 December      | 30 June    |
|                                                         | 2023             | 2022       |
|                                                         | HK\$'000         | HK\$'000   |
| Interest income from bank deposits and loan receivables | 257              | 241        |
| Government grants                                       | 886              | —          |
| Others                                                  | 2,389            | —          |
|                                                         | <u>3,532</u>     | <u>241</u> |

## 5. Other (losses)/gains — net

|                                                                          | Unaudited        |                 |
|--------------------------------------------------------------------------|------------------|-----------------|
|                                                                          | Six months ended |                 |
|                                                                          | 31 December      | 30 June         |
|                                                                          | 2023             | 2022            |
|                                                                          | HK\$'000         | HK\$'000        |
| Fair value loss on financial assets at fair value through profit or loss | (339)            | (1,459)         |
| Loss on remeasurement of convertible bonds                               | —                | (21,367)        |
| Gain on lease termination                                                | 219              | —               |
| Loss on disposal of property, plant and equipment                        | (1)              | —               |
| Bad debt written off                                                     | —                | (7)             |
| Foreign exchange (losses)/gain                                           | (39)             | 1               |
|                                                                          | <u>(160)</u>     | <u>(22,832)</u> |

## 6. Operating loss

|                                                              | Unaudited        |               |
|--------------------------------------------------------------|------------------|---------------|
|                                                              | Six months ended |               |
|                                                              | 31 December      | 30 June       |
|                                                              | 2023             | 2023          |
|                                                              | HK\$'000         | HK\$'000      |
| Operating loss is stated after charging:                     |                  |               |
| Staff costs (excluding share options expenses)               | 25,577           | 39,735        |
| Depreciation of other items of property, plant and equipment | 5,202            | 6,107         |
|                                                              | <u>25,577</u>    | <u>39,735</u> |
|                                                              | <u>5,202</u>     | <u>6,107</u>  |

## 7. Deconsolidation of a subsidiary

As disclosed in Note 1, the Group has lost control over Goldwide in December 2023. Accordingly, Goldwide, whose results and assets and liabilities has been deconsolidated with effect from 18 December 2023. The assets and liabilities of the Goldwide as at deconsolidation date are as follows:

Analysis of assets and liabilities at the date of deconsolidation over which control was lost:

|                                                                         | <b>Godwide</b><br><b>HK\$'000</b> |
|-------------------------------------------------------------------------|-----------------------------------|
| <b>Assets/(liabilities)</b>                                             |                                   |
| Property, plant and equipment                                           | <b>19,309</b>                     |
| Right-of-use assets                                                     | <b>295,763</b>                    |
| Prepayments, deposits and other receivables                             | <b>129</b>                        |
| Cash and bank balances                                                  | <b>16</b>                         |
| Accruals and other payables                                             | <b>(4,440)</b>                    |
| Bank and other borrowings                                               | <b>(71,284)</b>                   |
| Deferred income tax liabilities                                         | <b>(6,017)</b>                    |
|                                                                         | <hr/>                             |
| Net assets of a deconsolidated subsidiary as at date of deconsolidation | <b>233,476</b>                    |
|                                                                         | <hr/>                             |
| Fair value changes in respect of a deconsolidated subsidiary            | <b>(40,073)</b>                   |
|                                                                         | <hr/>                             |
| Carrying amount of a deconsolidated subsidiary as at 31 December 2023   | <b>193,403</b>                    |
|                                                                         | <hr/> <hr/>                       |

## 8. Finance costs

|                                                  | <b>Unaudited</b>        |             |
|--------------------------------------------------|-------------------------|-------------|
|                                                  | <b>Six months ended</b> |             |
|                                                  | <b>31 December</b>      | 30 June     |
|                                                  | <b>2023</b>             | 2023        |
|                                                  | <b>HK\$'000</b>         | HK\$'000    |
| Interest expenses on bank and other borrowings   | <b>10,914</b>           | 6,843       |
| Interest expenses on lease liabilities           | <b>275</b>              | 331         |
| Effective interest expenses on convertible bonds | <b>5,503</b>            | 16,084      |
| Other interest expenses                          | <b>841</b>              | 622         |
|                                                  | <hr/>                   | <hr/>       |
|                                                  | <b>17,533</b>           | 23,880      |
|                                                  | <hr/> <hr/>             | <hr/> <hr/> |

## 9. Income tax credit

|                                                     | Unaudited                |            |
|-----------------------------------------------------|--------------------------|------------|
|                                                     | Six months ended 30 June |            |
|                                                     | 2022                     | 2021       |
|                                                     | HK\$'000                 | HK\$'000   |
| Current tax                                         |                          |            |
| — PRC Enterprise Income Tax                         | —                        | —          |
| Deferred tax                                        |                          |            |
| — Origination and reversal of temporary differences | 445                      | 523        |
|                                                     | <u>445</u>               | <u>523</u> |

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 six months ended 31 December 2023 (30 June 2022: Nil).

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

## 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 154,422,109 (30 June 2022: 72,792,524 (restated)) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 December 2023 and 30 June 2022 did not assume the conversion of convertible bonds since its assumed conversion would result in a decrease in loss per share.

## 11. Accounts receivable

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

|                                          | Unaudited    | Audited      |
|------------------------------------------|--------------|--------------|
|                                          | as at        | as at        |
|                                          | 31 December  | 30 June      |
|                                          | 2023         | 2023         |
|                                          | HK\$'000     | HK\$'000     |
| Less than three months                   | 1,309        | 7,164        |
| Over three months but less than one year | 4,155        | 21           |
| Over one year                            | —            | —            |
|                                          | <u>5,464</u> | <u>7,185</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:

|                                          | <b>Unaudited</b><br><b>as at</b><br><b>31 December</b><br><b>2023</b><br><i>HK\$'000</i> | <b>Audited</b><br><b>as at</b><br><b>30 June</b><br><b>2023</b><br><i>HK\$'000</i> |
|------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| Less than three months                   | 1,324                                                                                    | 14,131                                                                             |
| Over three months but less than one year | —                                                                                        | 376                                                                                |
| Over one year                            | 484                                                                                      | 1,119                                                                              |
|                                          | <u>1,808</u>                                                                             | <u>15,626</u>                                                                      |

## 13. Convertible bonds

|                               | <b>Unaudited</b><br><b>as at</b><br><b>31 December</b><br><b>2023</b><br><i>HK\$'000</i> | <b>Audited</b><br><b>as at</b><br><b>30 June</b><br><b>2023</b><br><i>HK\$'000</i> |
|-------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <b>Liability component:</b>   |                                                                                          |                                                                                    |
| New Option 1 Bonds            | 161,257                                                                                  | 155,754                                                                            |
| <b>Derivatives component:</b> |                                                                                          |                                                                                    |
| New Option 1 Bonds            | —                                                                                        | —                                                                                  |
|                               | <u>161,257</u>                                                                           | <u>155,754</u>                                                                     |

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

|                            | <i>HK\$'000</i>       |
|----------------------------|-----------------------|
| At 1 July 2023             | 155,754               |
| Interest charged           | 5,503                 |
| Remeasurement              | —                     |
| Redemption                 | —                     |
| <b>At 31 December 2023</b> | <u><b>161,257</b></u> |

## 14. Share capital

|                                                                         | <b>Unaudited</b>                  |                 |
|-------------------------------------------------------------------------|-----------------------------------|-----------------|
|                                                                         | <b>Authorised ordinary shares</b> |                 |
|                                                                         | <i>Number of<br/>shares</i>       | <i>HK\$'000</i> |
| At 1 January 2022, 30 June 2022, 31 December 2022<br>and 1 January 2023 | 5,000,000,000                     | 125,000         |
| Decrease in authorised ordinary shares of HK\$0.025 each<br>(Note)      | (4,750,000,000)                   | —               |
|                                                                         | <hr/>                             | <hr/>           |
| <b>At 30 June 2023 and 31 December 2023</b>                             |                                   |                 |
| Balance of authorised ordinary shares of HK\$0.50 each                  | <b>250,000,000</b>                | <b>125,000</b>  |

|                                                                         | <b>Unaudited</b>                             |                 |
|-------------------------------------------------------------------------|----------------------------------------------|-----------------|
|                                                                         | <b>Issued and fully paid ordinary shares</b> |                 |
|                                                                         | <i>Number of<br/>shares</i>                  | <i>HK\$'000</i> |
| At 1 January 2022, 30 June 2022, 31 December 2022<br>and 1 January 2023 | 3,088,442,199                                | 77,211          |
| Decrease in issued ordinary shares of HK\$0.025 each<br>(Note)          | (2,934,020,090)                              | —               |
|                                                                         | <hr/>                                        | <hr/>           |
| <b>At 30 June 2023 and 31 December 2023</b>                             |                                              |                 |
| Balance of issued ordinary shares of HK\$0.50 each                      | <b>154,422,109</b>                           | <b>77,211</b>   |

Note: 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.

## 15. Reserves

|                                                        | <b>Unaudited</b>                             |                                                |                                              |                                                                 |                                                    |                                  |
|--------------------------------------------------------|----------------------------------------------|------------------------------------------------|----------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------|----------------------------------|
|                                                        | <b>Six months ended 31 December 2023</b>     |                                                |                                              |                                                                 |                                                    |                                  |
|                                                        | <b>Share<br/>Premium<br/><i>HK\$'000</i></b> | <b>Capital<br/>reserve<br/><i>HK\$'000</i></b> | <b>Other<br/>reserve<br/><i>HK\$'000</i></b> | <b>Currency<br/>translation<br/>reserve<br/><i>HK\$'000</i></b> | <b>Revaluation<br/>reserve<br/><i>HK\$'000</i></b> | <b>Total<br/><i>HK\$'000</i></b> |
| Balance as at<br>1 July 2023                           | 1,625,182                                    | 15,158                                         | (42,657)                                     | (69,070)                                                        | 222,433                                            | 1,751,046                        |
| Release of<br>revaluation<br>reserve upon:             |                                              |                                                |                                              |                                                                 |                                                    |                                  |
| — depreciation of<br>leasehold<br>land and<br>building | —                                            | —                                              | —                                            | —                                                               | (3,005)                                            | (3,005)                          |
| Currency<br>translation<br>differences                 |                                              |                                                |                                              |                                                                 |                                                    |                                  |
| — overseas<br>subsidiaries                             | —                                            | —                                              | —                                            | (6,490)                                                         | —                                                  | (6,490)                          |
| <b>Balance as at<br/>31 December<br/>2023</b>          | <b>1,625,182</b>                             | <b>15,158</b>                                  | <b>(42,657)</b>                              | <b>(75,560)</b>                                                 | <b>219,428</b>                                     | <b>1,741,551</b>                 |

## 15. Reserves (Cont'd)

|                                                        | Unaudited                           |                                       |                                     |                                                       |                                           |                          |
|--------------------------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------------------------|-------------------------------------------|--------------------------|
|                                                        | Six months ended 30 June 2022       |                                       |                                     |                                                       |                                           |                          |
|                                                        | Share<br>Premium<br><i>HK\$'000</i> | Capital<br>reserve<br><i>HK\$'000</i> | Other<br>reserve<br><i>HK\$'000</i> | Currency<br>translation<br>reserve<br><i>HK\$'000</i> | Revaluation<br>reserve<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Balance as at<br>1 January 2022                        | 1,625,182                           | 15,158                                | (42,657)                            | (62,520)                                              | 235,109                                   | 1,770,272                |
| Release of<br>revaluation<br>reserve upon:             |                                     |                                       |                                     |                                                       |                                           |                          |
| — depreciation<br>of leasehold<br>land and<br>building | —                                   | —                                     | —                                   | —                                                     | (3,058)                                   | (3,058)                  |
| Currency<br>translation<br>differences                 |                                     |                                       |                                     |                                                       |                                           |                          |
| — overseas<br>subsidiaries                             | —                                   | —                                     | —                                   | 128                                                   | —                                         | 128                      |
| Balance as at<br>30 June 2022                          | <u>1,625,182</u>                    | <u>15,158</u>                         | <u>(42,657)</u>                     | <u>(62,392)</u>                                       | <u>232,051</u>                            | <u>1,767,342</u>         |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023 (2022: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

2023 is the year of economic recovery after the epidemic. During the year, deglobalization continued, geopolitical conflicts intensified, inflation remained high, the Federal Reserve continued to raise interest rates, and the financial environment in developed economies tightened. The global economy showed a “weak recovery” trend, and economic growth momentum was seriously lacking.

In 2023, China’s economy resumed growth as a whole, and the economy ran with twists and turns: in the first quarter, domestic demand recovered significantly and achieved a good start; in the second quarter, three indicators of the demand side, namely exports in external demand, retail sales in domestic demand, and investment, all showed obvious downward trends, indicating that the foundation for economic recovery is not solid; policy support increased significantly in the third quarter, the central and local governments intensively introduced various policies, which enhanced the momentum of economic recovery, and maintained the bottom line of growth in the fourth quarter; based on the low base effect in 2022, actual GDP grew by 5.2% year-on-year for the whole year, exceeding expectations and completing the 5% economic growth target.

In the second half of 2023, the Group’s lottery business and China’s ecotourism and natural health food business generally operated normally and made steady progress.

### China’s Lottery Market

China’s lottery market develops well in 2023. Affected by the increase in major events, such as the Asian Games, the launch of new instant lottery tickets and the expansion of new channels, lottery sales increases significantly compared with the same period last year. According to information released by the Ministry of Finance, China’s lottery ticket sales reached RMB305.797 billion from July to December 2023, an increase of RMB 63.208 billion or 26.06% year-on-year. Among them, the welfare lottery sales edged up by RMB31.355 billion or 42.79% year-on-year to RMB104.625 billion; while sports lottery sales grew by RMB31.853 billion or 18.81% year-on-year to RMB201.172 billion. The increase in sales of all types of lotteries was recorded. Among them, Lotto sales increased by 16.94% year-on-year to RMB92.410 billion. Single Match Games (“SMG”) sales increased by 1.29% year-on-year to RMB124.506 billion. Paper-based Scratch Card (“PSC”) sales increased by 163.81% year-on-year to RMB68.001 billion. KENO type Lottery (“KENO”) sales increased by 40.44% to RMB20.880 billion. Video Lottery sales reached RMB836,600, a year-on-year increase of RMB698,800. The sales of Lotto, SMG, PSC and KENO accounted for 30.22%, 40.72%, 22.24% and 6.83% of total lottery sales, respectively. Compared with the same period last year, lottery sales increased in all provinces across the country.

### China’s Ecotourism Market

The domestic tourism market was fully recovered in 2023. It has passed the rapid recession, deep depression and rapid recovery stages of this unconventional cycle, and is about to enter a new stage of prosperity and development. During the year, the central and local governments had paid great attention to the tourism industry, and relevant policies and measures have been continuously implemented. The tourism industry has entered a strategic position in policy. In the past year, reverse tourism has replaced tourist destinations such as Chinese-style Hanfu, music festivals, barbecues, village evenings, and village BAs in third- and fourth-tier cities. They represent the consumption upgrade of sinking markets such as small and medium-sized cities, central towns and key villages in developed areas. They are emerging tourist destinations, growing sources of tourists, and the market foundation for the sustainable development of the tourism economy. In the context of consumption downgrading, consumption stratification has become more obvious. New customer groups for cultural tourism consumption have emerged, and customer groups that pursue individuality and value experiential consumption have become mainstream.

According to calculations by the China Tourism Academy (data center of the Ministry of Culture and Tourism), the number of domestic tourists and tourism revenue in 2023 has reached 80.25% and 85.59% respectively compared to 2019. Inbound and outbound tourist arrivals and international tourism revenue has recovered to 65% and 59% of 2019 respectively. In 2024, domestic tourism and national leisure will enter a new stage of prosperity and development. The tourism economy will steadily enter a new stage of prosperity and development with rational consumption expectations, growing investment confidence and accumulated innovation momentum. It is expected that the number of domestic tourism trips and domestic tourism revenue will exceed 6 billion and RMB 6 trillion respectively in 2024. The number of inbound and outbound tourists and international tourism revenue will exceed 264 million and US\$107 billion respectively. Tourism destination construction, tourism project investment and tourism entrepreneurship and innovation will usher in a new development climax.

## **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 the second half of 2023, the Group’s computer-generated ticket business in the welfare lottery and sports lottery markets continues to develop. In the welfare lottery sector, 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 RMB 11.779 billion from July to December 2023, as it remained the top seller in provincial welfare lottery markets in China; the Group served the Chongqing Welfare Lottery with a sales volume of RMB 23.34 billion from July to December 2023. In the sports lottery sector, the Group has won bids for sports lottery sales terminal projects and terminal maintenance procurement projects in Hunan, Guizhou, Inner Mongolia, Shaanxi, Heilongjiang, Sichuan, Henan, Zhejiang and other provinces.

Guangdong Province is China’s largest provincial lottery market, accounting for more than 10% of the country’s overall lottery market. In the first half of 2023, the Group won the bids for the Guangdong Welfare Lottery Sales Management System, the Guangdong Sports Lottery Terminal Project, and the Guangzhou Welfare Lottery Station Comprehensive Management Services and other all-round service projects targeting “technical systems + terminal equipment + pipeline service management”. It has been implemented smoothly in the second half of 2023.

### **Overseas Business**

The Group conducts in-depth research on overseas markets, interacts with partners, and actively explores emerging economic markets such as Southeast Asia and Africa.

For the Philippines market, we have further developed lottery game products suitable for mobile phones based on the original traditional digital lottery products, integrating the entertainment and leisure aspects of the game into lottery products. Currently, the Group and its partners are advancing the approval process for new products. Once it is approved, the product will be launched on GCASH, the largest payment platform in the Philippines, and will become the only compliant lottery product in the G-LIFE entertainment channel. At the same time, another mobile lottery project of the Group in the Philippines is also in the preparation stage before going online.

In addition, the Group's lottery business in Ghana has been launched in early 2023. So far, the number of terminals deployed is nearly 10,000, with active terminals accounting for approximately 70%. In addition to applying e-purse payment of MTN, the Africa's largest mobile network operator, it also added VODAFONE mobile payment and cooperated with the Ghana Lottery Authority (NLA) to continuously launch lottery products. In 2023, the performance of the Ghana Lottery project continues to soar, with monthly sales increasing by more than 50% since its launch at the beginning of the year. In the first quarter of 2024, the Group and its partners will also invest in more than 2,000 terminal equipment to continue to expand the market share. At the same time, the Group is cooperating with its partners to apply for new projects and will achieve more long-term development in 2024.

### **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 Electronics Company Limited ("DGTY"), a subsidiary of the Group, was the exclusive equipment provider for the China Welfare Lottery Video Lottery – Welfare VLT, is 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**

### **Projects of Jiyuan Wangwu Shan and Wulongkou Scenic Areas in Jiyuan City**

Over the past year, the Group has assigned a team to work closely with Jiyuan City Cultural Tourism Investment Group Limited and performs 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 number of tourists and tourism revenue in Wangwu Shan Scenic Area increased by 13.2% and 34.6% respectively compared with the same period in 2019; while in Wulongkou Scenic Area, affected by the implementation of the local government's policy of benefiting people from exemptions and reductions, has basically remained the same as the same period in 2019; the brand influence of the scenic area has been further enhanced; the tourism market has been further consolidated and expanded, and markets such as the three eastern provinces, Inner Mongolia, Gansu, and Ningxia have launched and gained strong momentum. Wangwu Old Street has won the national-level night cultural tourism consumption cluster and multiple provincial honors; the creation of Wangwu Shan National 5A Tourist Attraction has been fully launched.

### **Jiangxi Sanqing Shan Project**

In October 2023, the management once again visited the Sanqing Shan Scenic Area in Shangrao City, Jiangxi Province for inspection and negotiation. They conducted a comprehensive on-site inspection of various scenic spots and areas in the Sanqing Shan Scenic Area, and conducted a comprehensive inspection of the planning and construction, history, culture, and natural relics of the scenic area. At the same time, we work with projects of the partner, Golden Dragon Group and conduct in-depth inspections and exchanges on the Xiaoyao Valley Scenic Area, ancient streets, performing arts, hotels, hot springs and attempt to prepare for further cooperation negotiations between the two parties. The Group is currently conducting due diligence on financial analysis and is expected to sign a cooperation agreement in the first half of this year.

### **Natural and Health Food Business**

In the second half of 2023, the brand of natural forest farm further clarified its development direction and achieved phased results through the implementation of the plan for the first half of the year.

The wheat protein powder bar production line was officially put into operation. During the new product launch period, more than 500 boxes were sold. Currently, a single production line has a stable daily production capacity of more than 500 boxes and can be expanded at any time. After continuous production, the existing stock of protein powder products in bar form exceeds 3,000 boxes. In addition, more flavors are also being developed.

Yongzhentang Honey had launched two new products in gift boxes, which was completed and launched to the market before the Mid-Autumn Festival. As soon as the new honey gift box was launched, it was well received by customers for its excellent quality and exquisite packaging. During the Mid-Autumn Festival new product launch period, more than 900 boxes were sold.

In terms of platform, based on the six original forest food platforms, a new WeChat video account ‘forest food store flagship store’ was opened. In terms of operations, on the basis of global marketing through its own new media matrix, it focuses on developing distribution team leaders, developing private communities, and formulating a team leader grading system. Different levels correspond to different agency prices and reward policies to motivate team leaders. To expand sales and achieve distribution fission, we have connected with dozens of distribution group leaders so far, covering nearly 200,000 potential users. Some group leaders have already started placing orders and are showing a good growth trend.

In 2024, the natural forest farm will focus on private sector operations and further expand the scale of distribution channels to achieve higher performance and profit growth for the Group.

## **FUTURE OUTLOOK**

The January 2024 edition of the World Bank’s “Global Economic Prospects” report predicts that global economic growth will slow down for the third consecutive year, from 2.6% in 2023 to 2.4% in 2024; the World Bank predicts that China’s economy will shift from high-speed growth in previous years to medium-low growth, and its contribution to global economic development will decline; China faces multiple challenges such as the decline in foreign trade and foreign investment, continued weakness in the real estate industry, local government debt risks, an aging population, and slower productivity growth than in the past. China’s real economic growth rate will slow to 4.5% in 2024, down from 5.2% in 2023.

However, the Group remains optimistic about the prospects of China’s economy; at the same time, it is cautiously optimistic about the Group’s future business development. We believe that confidence is more important than gold; the more critical the moment, the more confidence must be strengthened.

China’s economy has exceeded its 5% growth target in 2023, which fully demonstrates that China’s economy has huge development resilience and potential, and its long-term positive trend has not changed. We should be confident in the long-term fundamentals of the Chinese economy and that the Chinese economy will overcome the current difficulties.

The central government has put forward the central task of building a modern and powerful socialist country. Completing this task requires equal emphasis on growth speed and growth quality. In order to promote economic recovery after the epidemic, the country has taken strong measures and used a variety of policies to solidly promote high-quality development. It is believed that China’s economic growth will further accelerate, customers’ consumption power will further increase, and China’s lottery market and ecotourism market will fully recover.

In recent years, China’s lottery industry has been transforming and upgrading from high-speed to high-quality development, which has brought new impetus to the development of the industry, and so lottery sales have continued to grow.

Thanks to the healthy development of China’s lottery industry and the technical advantages and service experience accumulated in the lottery industry over the years, the Group’s lottery business has developed steadily and will strive for greater market opportunities in 2024 to continue to maintain its leading position in the industry. Meanwhile, the Group will further expand its overseas lottery business and provide new lottery products and services to overseas emerging economic markets.

The Group will also continue to integrate resources to promote the continuous innovative development of China’s ecotourism and natural health food businesses, cultivate new business growth points, and bring greater investment returns to shareholders.

## FINANCIAL REVIEW

During the six months period ended 31 December 2023 (the “first half of 2023”), the Group recorded a turnover of approximately HK\$47.5 million (the first half of 2022: approximately HK\$51.6 million), representing a decrease of approximately 8% over the same period of last year. Loss attributable to owners of the Company for the first half of 2023 amounted to approximately HK\$71.6 million (the first half of 2022: approximately HK\$85.9 million).

### Liquidity, Financial Resources, Gearing Ratio and Capital Structure

As at 31 December 2023, the Group had net current liabilities of approximately HK\$213.4 million (at 30 June 2023: HK\$445.8 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 31 December 2023 of approximately HK\$162 million (at 30 June 2023: HK\$241.9 million). As at 31 December 2023, the bank borrowings and banking facilities of the Group were secured by (i) leasehold land and buildings of the Goldwide whose has been under receivership since 18 December 2023, with a fair value amount of approximately HK\$275 million (at 30 June 2023: carrying amount of HK\$318.4 million); and (ii) a personal guarantee executed by a former director of the Company (at 30 June 2023: a personal guarantee executed by a director of the Company).

At 31 December 2023, the carrying convertible bonds of the Company was amounted to HK\$161.3 million (at 30 June 2023: HK\$155.8 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.

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 Company has not made any payment of the principal and interest on the Bonds on 10 November 2023, an event of default occurred. As at 8 December 2023, the total amount due under New Option 1 Bonds is at least HK\$160,780,174.66.

The Group's total deficit amounted to approximately HK\$224.3 million at 31 December 2023 (at 30 June 2023: HK\$137.6 million). At 31 December 2023, net current liabilities of the Group amounted to approximately HK\$213.4 million (at 30 June 2023: HK\$445.8 million), including approximately HK\$80.6 million in cash and deposits with banks and financial institution (at 30 June 2023: HK\$103.7 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2023 was approximately 165.7% (at 30 June 2023: 127.3%).

### **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.

### **Contingent Liabilities**

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

### **STAFF**

As at 31 December 2023, the Group employed 191 staff (As at 30 June 2022: 219). 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.

## **BREACH OF LOAN AGREEMENTS**

### **The Facility**

In October 2023, Goldwide Limited (“Goldwide”), an indirect wholly owned subsidiary of the Company, as mortgagor, received a notice from a creditor bank in the People’s Republic of China (the “Creditor”) in relation to a loan facility with the outstanding principal amount of HK\$162 million (the “Facility”) provided to Champ Technology Limited (“Champ Technology”), an indirect wholly owned subsidiary of the Company. It was alleged that Champ Technology, as debtor, had defaulted on its obligations due to its failure to comply with the contract term under the Facility. The Facility has been secured by a property (the “Property”) owned by Goldwide. As at 31 January 2024, the fair value of the Property appraised by an independent valuer amounted to HK\$275 million.

The Company was notified in mid-November 2023 that Mr. FOK Hei Yu and Mr. CHOW Wai Shing Daniel of FTI Consulting (Hong Kong) Limited have been appointed on 10 November 2023 by the Creditor as Joint and Several Receivers and Managers.

The Company and Champ Technology (together with the Company, collectively referred to as the “Defendants”), have been served on 24 January 2024 with a writ of summons (HCMP 130/2024) issued on 24 January 2024 (the “Writ”) by the Creditor (the “Plaintiff”) in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region. As stated in the statement of claim attached to the Writ, the Plaintiff claims against the Defendants for all monies due and owing to the Plaintiff and the delivery of vacant possession by Goldwide to the Plaintiff of the Property pursuant to the Facility and the relevant mortgages entered into between the Plaintiff and the Company in respect of certain loans owed to the Plaintiff.

### **Short-term loan**

The default of the Facility has triggered a cross default under a loan agreement (the “Short-term Loan”) granted by a lender (the “2<sup>nd</sup> Creditor”) to Goldwide. The Short-term Loan is secured by a second mortgage over the Property (the “Second Mortgage”) owned by Goldwide. The Company had not repaid the outstanding principal and interest under the Short-term Loan when it became due for repayment on 6 January 2023. The default of the Facility has also triggered a cross default under the short term loan agreement. As at 31 December 2023, the total outstanding principal amount due under such loan agreement was approximately HK\$71,285,000.

### **New Option 1 Bonds**

Besides, under the terms and conditions of HK\$154,162,000 7.0% convertible bonds due 2023 (the “Bonds”), an event of default occurs if a default in the payment of the principal on any of the Bonds on when due or interest on any of the Bonds within three business days after the due date of such payment. The terms and conditions of the Bonds provide that the payment and the last interest payment would fall due on 10 November 2023 (the “Maturity Date”). The payments of the principal and the last instalment of interest on the Bonds had not been made by the Company on the Maturity Date.

The Company was notified on 20 December 2023 that Mr. Gwynn Hokins and Ms. LAU Wing Yi of Perun Consultants Limited (the “Perun Receivers”) have been appointed on 18 December 2023 by the security agent (the “Security Agent”), the trustee of the Bonds, as Joint and Several Receivers and Managers over all shares held by China LotSynergy Group Limited (“CLGL”), a wholly owned subsidiary of the Company, in Goldwide pursuant to the share charge (the “Share Charge”) provided by CLGL in favour of the Security Agent on 5 May 2022.

The Perun Receivers has exercised its right under the Share Charge to appoint new directors to deal with all affairs of Goldwide.

The management of the Group is in the course of seeking for a possible solution to the issues resulting from the defaults and will work closely with its advisors, Acclime Corporate Advisory (Hong Kong) Limited, to conduct a review of the financial positions of the Group and formulate a viable restructuring plan.

Up to the date of this report, the Creditor, the 2<sup>nd</sup> Creditor and the holder of the Bonds have not granted any waiver in respect of the defaults and have demanded immediate repayment of the outstanding amounts under the Facility, the Short-term Loan and the Bonds.

## **CHANGE OF DIRECTORS AND COMPOSITION OF BOARD COMMITTEES**

On 13 October 2023, (i) Ms. CHAN Tan Na Donna has resigned as the Chairman and an executive director of the Company (the “Executive Director”) and ceases to be an Authorised Representative, a Process Agent, the chairman of the Nomination Committee of the Company (the “Nomination Committee”) and a member of the Remuneration Committee of the Company (the “Remuneration Committee”); (ii) Mr. DI Ling, an Executive Director, has been appointed as the Chairman, an Authorised Representative, a Process Agent, the chairman of the Nomination Committee and a member of the Remuneration Committee; and (iii) Mr. HUANG Shenglan (“Mr. Huang”) has resigned as an independent non-executive director of the Company (“Independent Non-executive Director”) and ceases to be the chairman of each of the Audit Committee of the Company (the “Audit Committee”) and the Remuneration Committee and a member of the Nomination Committee.

On 8 November 2023, Ms. ZHU Xinxin has been appointed as an Executive Director.

On 12 January 2024, Mr. DUAN Xinxiao (“Mr. Duan”) has been appointed as an Independent Non-executive Director; and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Since Mr. Huang resigned as an Independent Non-executive Director on 13 October 2023, (i) the total number of independent non-executive Directors accounted for less than three and hence the Company failed to meet the requirement of Rules 3.10(1) and 3.10A of the Listing Rules; and (ii) the number of members of the Audit Committee fell below the minimum number requirement of Rule 3.21 of the Listing Rules. Following the appointment of Mr. Duan, the Board has three independent non-executive Directors. Accordingly, the Company has re-complied with the requirements under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules.

## **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 six months ended 31 December 2023.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises the three Independent Non-Executive Directors of the Company, namely Mr. CHAN Ming Fai, Dr. MENG Zhijun and Mr. DUAN Xinxiao. The unaudited consolidated interim results of the Group for the six months ended 31 December 2023 have been reviewed by the Audit Committee.

## **CORPORATE GOVERNANCE**

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules (the “Code”) throughout the six months ended 31 December 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 chairman of the Board (the “Chairman”) 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. Since the resignation of former chief executive officer on 14 January 2022 and up to date of this announcement, 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 Chairman and the executive Directors are responsible to oversee the management of day-to-day operations of the Group until the appointment of the chief executive officer of the Company. The Board is reviewing the effectiveness of the structure to balance the power and authority of the Board and authority of the Board and the management from time to time.

## **REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in the Model Code as its code of conduct for dealings in securities of the Company by the Directors (the “Code of Conduct”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the six months ended 31 December 2023.

On behalf of the Board  
**China Ecotourism Group Limited**  
**DI Ling**  
*Chairman*

Hong Kong, 28 February 2024

As at the date of this announcement, the Board comprises Mr. DI Ling, Mr. WU Jingwei, Mr. QIU Peiyuan and Ms. ZHU Xinxin as Executive Directors; and Mr. CHAN Ming Fai, Dr. MENG Zhijun and Mr. DUAN Xinxiao as Independent Non-Executive Directors.