



中國生態旅遊集團
CHINA ECOTOURISM GROUP

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

2021 INTERIM REPORT



INTERIM FINANCIAL STATEMENTS

The board of directors of China Ecotourism Group Limited (the “Company”) (the “Board” or “Directors”) hereby presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Unaudited Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Revenue	2	40,818	45,078
Costs of sales and services	3	(20,938)	(32,396)
Gross profit		19,880	12,682
Other income	4	17,369	1,761
Other (losses)/gains — net	5	(4,060)	2,953
General and administrative expenses		(89,571)	(68,033)
Operating loss	6	(56,382)	(50,637)
Finance costs	7	(25,265)	(25,482)
Share of loss of a joint venture		—	(263)
Loss before income tax		(81,647)	(76,382)
Income tax credit	8	2,704	1,186
Loss for the period		(78,943)	(75,196)
Loss attributable to:			
Owners of the Company		(68,538)	(70,442)
Non-controlling interests		(10,405)	(4,754)
		(78,943)	(75,196)
Loss per share attributable to owners of the Company for the period			
— basic	9	(5.40) HK Cent	(6.84) HK Cent
— diluted	9	(5.40) HK Cent	(6.84) HK Cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Loss for the period	(78,943)	(75,196)
Other comprehensive expense for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	(293)	1,432
Total comprehensive expense for the period	<u>(79,236)</u>	<u>(73,764)</u>
Attributable to:		
Owners of the Company	(68,538)	(70,442)
Non-controlling interests	<u>(10,698)</u>	<u>(3,322)</u>
Total comprehensive expense for the period	<u>(79,236)</u>	<u>(73,764)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		43,224	50,138
Right-of-use assets		325,518	342,130
Intangible assets		60,211	63,292
Interests in associates		189	189
Financial assets at fair value through profit or loss		4,900	6,769
		434,042	462,518
Current assets			
Inventories		39,106	9,694
Accounts receivable	10	10,393	70,705
Prepayments, deposits and other receivables		170,345	128,123
Cash and bank balances		129,431	76,430
		349,275	284,952
Total assets		783,317	747,470
Current liabilities			
Accounts payable	11	26,379	4,399
Accruals and other payables		35,488	38,872
Contract liabilities		31,285	31,285
Amount due to a joint venture		6,754	6,766
Amount due to a shareholder		–	56,880
Amounts due to directors		18,512	19,703
Tax payable		4,155	8,100
Bank borrowings		169,000	212,793
Lease liabilities		4,131	10,920
Convertible bonds	12	152,586	137,205
		448,290	526,923
Net current liabilities		(99,015)	(241,971)
Total assets less current liabilities		335,027	220,547

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(CONT'D)

		Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
	Notes		
Non-current liabilities			
Deferred income tax liabilities		39,831	39,993
Lease liabilities		1,286	12,256
		<u>41,117</u>	<u>52,249</u>
Net assets		<u>293,910</u>	<u>168,298</u>
Equity attributable to owners of the Company			
Share capital	13	77,211	25,737
Reserves	14	1,772,406	1,622,090
Accumulated losses		(1,804,365)	(1,738,885)
		<u>45,252</u>	<u>(91,058)</u>
Non-controlling interests		<u>248,658</u>	<u>259,356</u>
Total equity		<u>293,910</u>	<u>168,298</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited Six months ended 30 June 2021 Attributable to owners of the Company				
	Share capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance as at 1 January 2021	25,737	1,622,090	(1,738,885)	259,356	168,298
Comprehensive expense					
Loss for the period	—	—	(68,538)	(10,405)	(78,943)
Other comprehensive expenses					
Currency translation differences	—	(559)	—	(293)	(852)
Total comprehensive expenses	—	(559)	(68,538)	(10,698)	(79,795)
Issue of new shares upon Rights Issue	39,248	117,370	—	—	156,618
Issue of new shares upon Placing	12,226	36,563	—	—	48,789
Release of revaluation reserve upon depreciation of leasehold land and building	—	(3,058)	3,058	—	—
Balance as at 30 June 2021	77,211	1,772,406	(1,804,365)	248,658	293,910

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

	Unaudited Six months ended 30 June 2020 Attributable to owners of the Company				
	Share capital HK\$'000	Reserves HK\$'000	Accumulated losses HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
Balance as at 1 January 2020	25,737	1,389,169	(1,179,323)	295,934	531,517
Comprehensive expense					
Loss for the period	—	—	(70,442)	(4,754)	(75,196)
Other comprehensive expenses					
Currency translation differences	—	(1,260)	—	1,432	172
Total comprehensive expenses	—	(1,260)	(70,442)	(3,322)	(75,024)
Release of revaluation reserve upon depreciation of leasehold land and building	—	(121)	121	—	—
Revaluation surplus on transfer of owner-occupied property to investment property	—	302	—	—	302
Share option scheme: — vested share options expired	—	(4,194)	4,194	—	—
Balance as at 30 June 2020	<u>25,737</u>	<u>1,383,896</u>	<u>(1,245,450)</u>	<u>292,612</u>	<u>456,795</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Operating cash flows before changes in working capital	(57,206)	(13,003)
Changes in working capital	6,715	23,745
Income tax (paid)/refunded	(1,241)	180
Net cash (used in)/generated from operating activities	(51,732)	10,922
Net cash generated from investing activities	17,566	2,018
Net cash generated from/(used in) financing activities	95,540	(15,907)
Net increase/(decrease) in cash and cash equivalents	61,374	(2,967)
Effect of foreign exchange rate changes	–	–
Cash and cash equivalents at beginning of the period	68,057	56,876
Cash and cash equivalents at end of the period	129,431	53,909

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated 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 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").

The principal accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the preparation of the Group's audited financial statements for the year ended 31 December 2020.

The directors of the Company made an assessment as of the date of initial application of amended Hong Kong Financial Reporting Standards ("HKFRS") 10 "Consolidated Financial Statements" in 2013 and concluded that the adoption of HKFRS 10 does not change any of the control conclusions reached by the Group in respect of its involvement with the investees as at 1 January 2013 and after.

The Group has adopted the standards, amendments and interpretations that have been issued and effective for the accounting periods beginning on or after 1 January 2021. The adoption of such standards, amendments and interpretations did not have material effect on these financial statements.

2. REVENUE AND SEGMENT INFORMATION

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sales of lottery terminals and related equipment	19,206	3,479
Sales of natural and health food	2,178	5,250
Provision of technical and maintenance services	13,520	13,175
Revenue from contracts with customers (within the scope of HKFRS 15)	34,904	21,904
Lease income from operating leases	5,914	23,174
Total revenue	40,818	45,078

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

The Group's reportable segments are as follows:

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

(a) Segment revenue and results

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

	Unaudited Six months ended 30 June 2021			
	Lottery systems, terminal equipment and related products HK\$'000	Natural and health food HK\$'000	Ecotourism HK\$'000	Total HK\$'000
Segment revenue:				
Revenue from contracts with customers (within the scope of HKFRS 15)	32,726	2,178	—	34,904
Lease income	5,914	—	—	5,914
Revenue from external customers	<u>38,640</u>	<u>2,178</u>	<u>—</u>	<u>40,818</u>
Segment (loss)/gain	<u>(39,006)</u>	<u>12</u>	<u>(741)</u>	<u>(39,735)</u>
Interest income				17,369
Fair value loss on financial assets at fair value through profit or loss				(1,869)
Finance costs				(25,265)
Unallocated expenses				(32,147)
Loss before income tax				<u>(81,647)</u>

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

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

	Unaudited Six months ended 30 June 2020		
	Lottery systems, terminal equipment and related products HK\$'000	Natural and health food HK\$'000	Total HK\$'000
Segment revenue:			
Revenue from contracts with customers (within the scope of HKFRS 15)	16,654	5,250	21,904
Lease income	23,174	—	23,174
	<u>39,828</u>	<u>5,250</u>	<u>45,078</u>
Revenue from external customers	<u>39,828</u>	<u>5,250</u>	<u>45,078</u>
Segment loss	<u>(12,192)</u>	<u>(1,361)</u>	(13,553)
Interest income			1,761
Fair value loss on financial assets at fair value through profit or loss			(2,789)
Finance costs			(25,482)
Share of loss of a joint venture			(263)
Unallocated expenses			<u>(36,056)</u>
Loss before income tax			<u>(76,382)</u>

2. REVENUE AND SEGMENT INFORMATION (CONT'D)**(b) Segment assets and liabilities**

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

Segment assets

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Lottery systems, terminal equipment and related products	217,725	247,438
Natural and health food	1,689	2,122
Ecotourism	7,154	—
Total segment assets	226,568	249,560
Interests in associates	189	189
Unallocated	556,560	497,721
Consolidated assets	783,317	747,470

Segment liabilities

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Lottery systems, terminal equipment and related products	84,006	51,891
Natural and health food	16,958	17,731
Ecotourism	100	—
Total segment liabilities	101,064	69,622
Unallocated	388,343	509,550
Consolidated liabilities	489,407	579,172

2. REVENUE AND SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
People's Republic of China ("PRC")	40,818	44,039
Others	—	1,039
	<u>40,818</u>	<u>45,078</u>

3. COSTS OF SALES AND SERVICES

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Depreciation of lottery terminals	2,112	19,236
Amortisation of intangible assets	3,081	5,493
Business tax	187	399
Cost of inventories recognised as expense	14,914	4,589
Repairs and maintenance	11	121
Others	633	2,558
	<u>20,938</u>	<u>32,396</u>

4. OTHER INCOME

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest income from bank deposits and loan receivables	<u>17,369</u>	<u>1,761</u>

5. OTHER (LOSSES)/GAINS — NET

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss	(1,869)	(2,789)
Rental income	—	83
Development fee income	—	6,153
Gain on lease termination	366	—
(Loss)/Gain on disposal of property, plant and equipment	(2,541)	236
Foreign exchange losses	(16)	(730)
	<u>(4,060)</u>	<u>2,953</u>

6. OPERATING LOSS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Operating loss is stated after charging:		
Staff costs (excluding share options expenses)	43,088	41,980
Depreciation of other items of property, plant and equipment	5,790	3,343
	<u>5,790</u>	<u>3,343</u>

7. FINANCE COSTS

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	6,963	10,385
Interest expenses on lease liabilities	361	870
Effective interest expenses on convertible bonds	15,381	12,327
Other interest expenses	2,560	1,900
	<u>25,265</u>	<u>25,482</u>

8. INCOME TAX CREDIT

	Unaudited	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current tax		
— PRC Enterprise Income Tax	2,580	811
Deferred tax		
— Origination and reversal of temporary differences	124	375
	2,704	1,186

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 30 June 2021 (2020: Nil).

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

9. LOSS PER SHARE

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of 1,268,365,765 (2020: 1,029,480,733) ordinary shares in issue during the year.

The computation of diluted loss per share for the six months ended 30 June 2021 and 2020 did not assume the exercise of share options and the conversion of convertible bonds since their exercise and conversion would reduce the loss per share.

10. ACCOUNTS RECEIVABLE

Ageing analysis of accounts receivable is as follows:

	Unaudited	Audited
	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
Less than three months	5,062	2,709
Over three months but less than one year	3,868	441
Over one year	1,463	67,555
	10,393	70,705

11. ACCOUNTS PAYABLE

Ageing analysis of accounts payable is as follows:

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Less than three months	25,734	849
Over three months but less than one year	78	748
Over one year	<u>567</u>	<u>2,802</u>
	<u>26,379</u>	<u>4,399</u>

12. CONVERTIBLE BONDS

	Unaudited As at 30 June 2021 HK\$'000	Audited As at 31 December 2020 HK\$'000
Liability component:		
New Option 1 Bonds	<u>152,586</u>	<u>137,205</u>

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

	HK\$'000
At 1 January 2021	137,205
Interest charged	15,381
Interest paid	<u>—</u>
At 30 June 2021	<u>152,586</u>

13. SHARE CAPITAL

Unaudited		
Authorised ordinary shares		
of HK\$0.025 each		
	<i>Number of</i>	<i>HK\$'000</i>
	<i>shares</i>	
At 1 January 2020, 31 December 2020 and 1 January 2021	1,600,000,000	40,000
Increase in Authorised Ordinary Shares (Note (i))	3,400,000,000	85,000
	5,000,000,000	125,000
Unaudited		
Issued and fully paid		
ordinary shares of		
HK\$0.025 each		
	<i>Number of</i>	<i>HK\$'000</i>
	<i>shares</i>	
At 1 January 2020, 31 December 2020 and 1 January 2021	1,029,480,733	25,737
New shares issued upon Rights Issue (Note (ii))	1,569,905,533	39,248
New shares issued upon Placing (Note (ii))	489,055,933	12,226
	3,088,442,199	77,211

Notes:

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

14. RESERVES

	Unaudited Six months ended 30 June 2021					
	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Currency translation reserve HK\$'000	Revaluation reserve HK\$'000	Total HK\$'000
Balance as at 1 January 2021	1,471,249	15,158	(42,657)	(62,886)	241,226	1,622,090
Issue of new shares upon						
Rights Issue	117,370	—	—	—	—	117,370
Issue of new shares upon Placing	36,563	—	—	—	—	36,563
Release of revaluation reserve upon depreciation of leasehold land and building	—	—	—	—	(3,058)	(3,058)
Currency translation differences						
— Overseas subsidiaries	—	—	—	(559)	—	(559)
Balance as at 30 June 2021	1,625,182	15,158	(42,657)	(63,445)	238,168	1,772,406

	Unaudited Six months ended 30 June 2020						
	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Currency translation reserve HK\$'000	Share-based compensation reserve HK\$'000	Revaluation reserve HK\$'000	Total HK\$'000
Balance as at 1 January 2020	1,471,249	15,158	(42,657)	(72,731)	8,486	9,664	1,389,169
Share option scheme:							
— vested share options expired	—	—	—	—	(4,194)	—	(4,194)
Revaluation surplus on transfer of owner-occupied property to investment property	—	—	—	—	—	302	302
Release of revaluation reserve upon depreciation of leasehold land and building	—	—	—	—	—	(121)	(121)
Currency translation differences							
— Overseas subsidiaries	—	—	—	(1,260)	—	—	(1,260)
Balance as at 30 June 2020	1,471,249	15,158	(42,657)	(73,991)	4,292	9,845	1,383,896

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (2020: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group adheres to its diversified development strategy and expands new businesses in line with the national development strategy. At the same time, the Group continues to consolidate the existing lottery business in response to the development of the Coronavirus Disease 2019 (the “COVID-19”).

In the first half of 2021, the Group has vigorously expanded the ecotourism business, actively promoted the transformation of the Group’s business to ecotourism, and took a series of actions to lay a solid foundation for the future development.

As the provider of technology and operation services for lottery systems, terminal equipment and gaming products in the China’s welfare lottery market, the Group’s businesses cover various lottery products including computer-generated ticket games (“CTG”), video lottery (“VLT”), Paper-based Scratch Card and new media lottery, etc. By building up its technical competencies, active market expansion and upholding high standards of corporate governance, the Group has established a solid foundation and an outstanding corporate brand name, providing it with comprehensive capabilities for sustainable development. The Group has gradually established a development layout at domestic and international levels by making great efforts to open up international markets over the past years.

China’s Lottery Market

From 2019 to 2020, sales of the China’s lottery market recorded significant decline caused by the national industry policy adjustments and the COVID-19 pandemic. The trend of the lottery policy is to strictly control market risks and maintain the healthy and sustainable development of the lottery industry. In the light of the normalization of the COVID-19 pandemic, the Ministry of Finance (“MOF”) required lottery authorities at all levels to resume lottery issuance and sales in an orderly manner, in accordance with the needs of the COVID-19 pandemic prevention and control in combination with the actual lottery issuance and sales.

In the first half of 2021, the MOF has successively amended and issued a number of administrative measures. On 20 May, the MOF amended the “Administrative Measures for Lottery Public Welfare Funds” (No.15 [2012] of the MOF) which further clearly stipulates the specific content that should be included in the public announcements by departments and units that use lottery public welfare funds. Those who fail to comply with the administrative measures will be held accountable. The new measures have been implemented on 17 June 2021. On 18 June, the MOF issued the “Administrative Measures for the Regulating and Controlling of the Capital in the Lottery Market” to

expand the specific scope of use of lottery market regulating and controlling capital, including the subsidy cost of maintaining the basic operation of lottery sales sites, which caused by suspension of lottery sales due to force majeure events. On 22 June, the MOF issued "The Administrative Measures for the Central Specialized Lottery Public Welfare Funds Supporting Local Social Welfare Development Funds" requiring Social Welfare Funds should adhere to the public welfare attributes and social responsibilities of the national lottery in focusing the less developed areas and vulnerable groups, and be used in weak links and areas to support local social welfare.

In May 2021, both the Ministry of Civil Affairs ("MOCA") and the National Development and Reform Commission ("NDRC") jointly issued the "14th Five-Year Civil Affairs Development Plan" ("14th Five-Year Plan") which proposes the "play the role of protecting effect of Welfare Lottery", and made the "healthy development project of Welfare Lottery" one of the 10 major projects. Year 2021 is the first year of sports competitions under the "14th Five-Year Plan", which provides opportunities for strengthening the charity brand, expanding the group of lottery buyers, and promoting the healthy market development of the Sports Lottery. According to the "Main Points and Tasks of Sports Lottery Management in 2021" issued by the Sports Lottery Management Centre of General Administration of Sports ("GAOS") which clearly states that the issuance and sales of Sports Lottery in 2021 will adhere to the positioning of national welfare lottery persist in developing the people-centred philosophy and focus on responsible, reliable and high quality target of national welfare lottery, and systematically promote "Omni-product, Omni-channel, Omni-value chain" management.

According to lottery sales data released by the MOF, China's lottery market recorded a 44.0% increase as compared to corresponding period of year in total sales to RMB178.44 billion in the first half of 2021, among which, Welfare Lottery sales increased by 14.20% year-to-year ("YOY") to RMB67.70 billion, Sports Lottery sales increased by 71.40% YOY to RMB110.74 billion. In terms of lottery types, Lotto sales decreased by RMB6.14 billion YOY to RMB84.09 billion; Single Match Games ("SMG") sales increased by RMB42.72 billion YOY to RMB59.80 billion; Paper-based Scratch Card sales increased by RMB14.61 billion YOY to RMB26.10 billion; VLT sales decreased by RMB5.06 billion YOY to RMB0.62 million; KENO-type sales increased by RMB8.42 billion YOY to RMB8.45 billion. The sales of Lotto, SMG, Paper-based Scratch Card, VLT and KENO-type sales accounting for 47.1%, 33.5%, 14.6%, 0.0% and 4.8% of total lottery sales respectively.

In the first half of 2021, the promulgation of relevant policies further provided guarantee for the healthy development of the market and the use of Lottery Public Welfare Funds. The lottery market is showing a trend of steady recovery, and China's lottery industry continues to move forward steadily.

Business Review and Outlook

CTG Business

CTG is the major type of China's lottery industry. As an earlier manufacturer of CTG system and core products such as lottery betting terminals, lottery scanners and readers in China, the Group has been maintaining its leading position in the industry. The Group is a supplier of CTG terminal equipment recognized by the both Welfare Lottery and Sports Lottery authorities.

In the first half of 2021, the Group's CTG business kept development in both Welfare Lottery and Sport Lottery markets. The sales of Welfare Lottery in Guangdong Province served by the Group increased more than 30%, Guangdong has maintained the top sales of the provincial Welfare Lottery market in China for more than 10 years. In February, the Group's subsidiary won the bid in "Guangdong Welfare Lottery Issuance Centre Computer Welfare Lottery Betting Terminals and Technical Service Project" for providing 3,000 CTG lottery betting terminals and related services in Guangdong Welfare Lottery Issuance Centre ("Guangdong WLIC"). In June, the Group's subsidiary won the bid in "Guangdong Welfare Lottery Issuance Centre Computer Welfare Lottery Sales Management System Technical Service Project" for providing the operational and maintenance services of the sales management system (including sales system and analytical system) in Guangdong WLIC. This is the Group's 21st year of providing lottery services to Guangdong WLIC. The sales of both Shanghai and Chongqing Welfare Lottery Issuance Centres also increased steadily in the first half of 2021. At the same time, the Group's sales of Sport Lottery CTG terminals has developed steadily. In the first half, the Group also won the bid for the maintenance and procurement programs of Sport Lottery terminals in Henan Province and Sichuan Province. The Group has passed the Terminal Hardware Upgrade Test in 2021 organized by the GAOS, and continued to maintain a leading position in the Sport Lottery market.

In the first half of 2021, due to the less effective control in COVID-19 pandemic, the overseas market development has been delayed, however, the Group still work hard and will continue to introduce advanced lottery products and professional skills in the African market. The Group will focus on those products that are more suitable for the domestic market with greater interactions, and establish the operational regulatory system for Ghana's National Lottery Authority. On the Southeast Asian market, the Group is working with its Philippine partners to develop a handheld terminal lottery business, which is expected to facilitate the Philippines's National Lottery Authority to develop new sales channels in a move to make a continuous contribution to public welfare fundraising in the Philippines.

Video Lottery Business

Dongguan Tianyi Electronic Company Limited (“DGTy”), a subsidiary of the Group, was the exclusive terminal equipment provider for China Welfare Lottery Video Lottery — VLT (“Welfare VLT”). Welfare VLT is an instant electronic video lottery, which has been suspended on 31 July 2020.

DGTy has filed a civil action with the People’s High Court of Beijing, claiming compensation from Beijing China Lottery Online Technology Company Limited (“CLO”) for the continued use of terminals after the expiry of the supply contract. The civil judgement of the People’s High Court of Beijing on 10 August 2018 ruled that CLO is required to pay DGTy cooperation remuneration amounted to approximately RMB1.36 billion and partial interest. CLO then appealed against the court’s decision to the Supreme People’s Court of PRC (the “Supreme People’s Court”). On 25 March 2021, the Group received a civil judgment from the Supreme People’s Court, which ruled that CLO is required to pay DGTy approximately RMB54,835,700 and the interest accrued. Due to the fact that CLO continued to generate Welfare VLT lottery sales by using the terminals provided by DGTy after the expiry of the supply contract, the Group may use all possible legal means in order to protect its legal rights and interest.

Ecotourism Business

The COVID-19 pandemic caused severe impact on the global tourism industry. According to the World Tourism Organization, total number of international tourist arrivals in 2020 dropped 73% compared with 2019, approximately reduced 1.07 billion in total number of tourist arrivals. The international tourism income has also dropped 63.5%, approximately total lost USD927 billion.

At the same time, although China’s domestic tourist arrivals and tourism income have also recorded a sharp decline, China tourism shown potential flexibility and toughness. The decline in domestic tourist arrivals has been narrowed quarter by quarter in 2020. China tourism has rebounded in the first half of 2021.

According to the “No. 13 Blue Book on China’s Tourism Economy” issued by the China Tourism Academy (Data Centre of the Ministry of Culture and Tourism (“MOCT”)) (“CTA”), which is directly administered by MOCT, the number of tourist arrivals in China in 2021 will reach 4.1 billion and the related income will reach RMB3.3 trillion, a growth of 42% and 48% YOY respectively. The “China Travel Group Development Report (2020)” published by the CTA predicted that China will have 10 billion tourist arrivals and a consumption scale of RMB10 trillion annually in the coming 5 years. In addition, China domestic tourism market will contribute more than 10% to the national economy and employment. China’s domestic tourism is expected to have great development potential.

The Group believes that tourism is an uprising industry. As the Chinese economy takes the lead in recovering from COVID-19 pandemic, and is expected to maintain a rapid development speed in the future, Chinese people’s living standard may be further improved. Especially during the period of “14th Five-Year”, China will focus on building the internal circulation plus a dual circulation development pattern, in which the potential domestic demand will be released, household consumption will be expanded, raise the level of consumption, so as building a bigger scope of internal market. Therefore, the tourism demand will also grow rigidly with a good market prospect.

Moreover, the Chinese government has also shown strong support in terms of the protection of ecological environment and tourism related industries. The Chinese government promoted “Lucid Waters and Lush Mountains are Invaluable Assets” philosophy, focused on poverty alleviation, rural revitalization strategy and construction of the ecological civilization etc., set up the grand goal of “building a beautiful China”, committed to achieving peak carbon dioxide emissions by 2030 and carbon neutral by 2060. All these policies have created a good political environment for developing ecotourism.

The Group believes that with many positive drivers, there will be new market opportunities in the ecotourism sector and showing great development potential and space.

For the first half of 2021, the Group intended to seize the business opportunities of ecotourism by speeding up the pace of expanding ecotourism business. The Group has entered into a "Strategic Cooperation Agreement on Development of Ecotourism Spots in China" with China Eco Development Association in January. The two parties intend to establish a comprehensive strategic partnership to cooperate in the development of the ecotourism business in China. In February, the Company's name has been changed to "China Ecotourism Group Limited", firing the starting gun to develop ecotourism business. In June, the Group completed the rights issue project for providing more funds for the future development of the new businesses. In July, the Group restructured the Board and built up a professional tourism management team. In the same month, the Group entered into a strategic cooperation agreement with Golden Tourism Group Limited (the "Golden Tourism Group") and Hydropower Construction Co., Ltd. ("CCCC WRHC"), which is under China Communication Construction Company Limited respectively. The Group agreed with Golden Tourism Group to establish a joint venture company undertaking the Jiangxi Shangrao Mount Sanqing Xiaoyao Valley Tourism Project, the World Natural Heritage 5 A-class tourist area. Also, the Group agreed with CCCC WRHC to establish a long-term and stable strategic cooperation partnership. Both parties will give fully play to their own strengths in sites selection and planning, routes development, tourism project operation, brand building and engineering constructions, project management and funding operation, etc. Both parties will jointly explore various flexible cooperation models, carry out full range, multi-level and multi-method "three-dimensional cooperation".

The Group believes that all above measures has established a solid foundation for the future development of the Group's ecotourism business. The Group will seize the market opportunities brought about by the easing of the domestic epidemic in China and the country's supportive policies for ecological and environmental protection and tourism, actively deploy and vigorously develop the ecotourism business.

Natural & Health Food Business

In the first half of 2021, due to the influence of COVID-19 pandemic, the principal business activities of Tian Ran Lin Chang Food Limited ("TRLC"), a subsidiary of the Group, have not yet fully recovered, and the sales has been severely affected, with a significant drop compared to the same period of last year.

The second half of 2021 will be the peak season for selling mushroom products. Based on the original centralized procurement customers, TRLC will open up more new channels and explore more community group buying platforms. At the same time, TRLC will increase purchase especially from poverty alleviation areas to meet the needs of corporate procurement. TRLC will strive for the stable development of natural and health food business.

Looking to the Future

The Group will continue its road to be a diversified enterprise, steadily develop the lottery business, ecotourism business and natural and health food business, etc.

In the recent years, the China lottery industry has enhanced the construction and implementation of responsible lottery, focused on purifying the ecosystem of the business and tend to pursuit quality and overall social benefits instead of sales volume and speed. Based on the lottery market performance of the first half of 2021, both the lottery market and lottery players are becoming more mature, the lottery industry is gradually embarking on a more stable and healthy development path.

In the “14th Five-Year Plan”, a target of total 180,000 Welfare Lottery sales outlets is set, and it is clearly mentioned that “in accordance with the new trend of people’s cultural and entertainment consumption, gradually establish a planned and refined channel management system, promote the transformation of traditional sales outlets, strengthen channel innovation, and improve the convenience of lottery purchases”. Sports Lottery also required “implementing Omni-channel management, optimizing channel layout and structure, promoting the optimization and innovation of traditional franchised channels, and strengthening the integration of channels and other businesses”. It is foreseeable that new channels such as concurrently operating channels and cross-industry channels and diversified sales methods will become the focus of the expansion of lottery channels during the “14th Five-Year Plan” period. The transformation and optimization of traditional outlets will also be very important.

With its continuous investment and in-depth understanding of the lottery industry, the Group will bring its edges together and look for a wide range of cooperation in terms of sales channels, core systems, gaming products, responsible lottery, among others, contributing to the development of a responsible, reliable, healthy and sustainable China’s lottery ecosystem.

The Group will continue to promote the transformation of business into ecotourism, cultivate new business growth drivers in ecotourism and natural & health food businesses by integrating various tourism resources, and to create greater return for shareholders. At the same time, the Group will closely monitor the risk and uncertainty caused by the COVID-19 pandemic, adopt proper measures, in order to minimize the influence to the Group’s businesses and promote the steady development of various businesses.

Financial Review

In the first half of 2021, the Group recorded a turnover of approximately HK\$40.82 million (the first half of 2020: approximately HK\$45.08 million), representing a decrease of approximately 9.5% over the same period of last year. The operating lease contract of supplying lottery terminals to Welfare Lottery in Guangdong Province of the Group has been expired in August 2020. In February 2021, the Group's subsidiary has won a tender in "Guangdong Welfare Lottery Issuance Centre Computer Welfare Lottery Terminals and Technical Service Project" for supplying 3,000 CTG lottery terminals and related services for Guangdong Province. The relevant supply contract of lottery terminals has changed from calculating the income of operating lease based on revenue-sharing of the sales of the lottery to direct sales of the terminals. Due to this reason, in the first half of 2021, the income from operating lease decreased by HK\$17.26 million and sales of lottery terminals and related equipment increased by HK\$15.73 million. Loss attributable to owners of the Company for the first half of 2021 amounted to approximately HK\$68.54 million (the first half of 2020: approximately HK\$70.44 million).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

At 30 June 2021, the Group had net current liabilities of approximately HK\$99 million (at 31 December 2020: HK\$242 million). The management of the Group considers the liquidity position of the Group is sufficient to operate as a going concern in the foreseeable future. During the period under review, the Group has completed the following tasks to strengthen the Group's financial position:

- (a) On 25 March 2021, the Group received a civil judgement from the Supreme People's Court, ruled that CLO was required to pay the outstanding accounts receivable of approximately RMB54,835,700 and the interest accrued, the relevant amount has been received during the period under review;
- (b) On 3 May 2021, the Company and the holders of 7.5% convertible bonds due 2019 (the "New Option 1 Bonds") entered into the fourth supplemental trust deed to further extend the maturity date from 7 November 2021 to 7 November 2022;
- (c) On 10 June 2021, the Company has completed the Rights Issue and the Placing of shares involving issuance of 1,569,905,533 shares of Rights Shares and 489,055,933 shares of the Placing shares, the gross proceeds are approximately HK\$205.9 million; and
- (d) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The Group believes that it has adequate financial resources to fund its capital and operating requirements. As at 30 June 2021, the Company had an outstanding corporate guarantee limited to approximately HK\$208.5 million (at 31 December 2020: HK\$240 million) for a banking facility of an uncommitted term loan of approximately HK\$208.5 million (at 31 December 2020: a banking facility of an uncommitted revolving loan of approximately HK\$240 million).

The Group had outstanding bank borrowings as at 30 June 2021 of approximately HK\$169 million (at 31 December 2020: HK\$212.8 million). As at 30 June 2021, the bank borrowings and banking facilities of the Group were secured by (i) leasehold land and buildings of the Group with a carrying amount of approximately HK\$341.5 million (at 31 December 2020: HK\$346 million); and (ii) a personal guarantee executed by a director of the Company (at 31 December 2020: a personal guarantee executed by a director of the Company).

At 1 January 2021, the outstanding convertible bonds of the Company were New Option 1 Bonds in the aggregate principal amount of HK\$148.58 million. Under the first supplemental trust deed entered on 28 March 2019, from 7 April 2019 onward, the interest will be charged at 8.5% and payable in arrear on the maturity date. On 3 May 2021, the Company and the holders of New Option 1 Bonds entered into the fourth supplemental trust deed to further extend the maturity date from 7 November 2021 to 7 November 2022. Repayments will be in four remaining installments of 15%, 15%, 15% and 40% 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 31 July 2021, 7 November 2021, 7 May 2022 and the maturity date of 7 November 2022 respectively. The Company has repaid the first installment of HK\$26.22 million on 30 July 2021.

During the period under review, no New Option 1 Bonds had been converted into the shares of the Company by the bondholders. Based on the adjustment provisions under the terms and conditions of the New Option 1 Bonds, an adjustment shall be made to the New Option 1 Bonds' conversion price from HK\$2.00 per share to HK\$1.69 per share with effect from 10 June 2021 as a result of the issue of shares under completion of the Rights Issue and the Placing. At 30 June 2021, the total outstanding principal amount of the New Option 1 Bonds was HK\$148.58 million. The maximum number of shares of the Company that will be issued upon conversion of all the outstanding New Option 1 Bonds was 87,917,160 shares of the Company.

The Group's total equity amounted to approximately HK\$293.9 million at 30 June 2021 (at 31 December 2020: HK\$168.3 million). At 30 June 2021, net current liabilities of the Group amounted to approximately HK\$99 million (At 31 December 2020: HK\$242 million), including approximately HK\$129.4 million in cash and deposits with banks and financial institutions (at 31 December 2020: HK\$76.4 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 30 June 2021 was approximately 62.5% (At 31 December 2020: 77.5%).

Rights Issue, Placing of New Shares, Connected Transaction in relation to the Set-Off, Whitewash Waiver and Increase in Authorised Share Capital

Rights Issue

On 16 February 2021, the Company announced a proposed rights issue to raise up to approximately HK\$220.75 million before expenses by way of issuing up to 2,207,541,466 rights shares, on the basis of two (2) rights shares for every one (1) existing share then held on the relevant record date at the subscription price of HK\$0.10 per rights share (the "Rights Issue"). The Rights Issue was approved by the shareholders of the Company (the "Shareholders") at the special general meeting of the Company held on 10 May 2021 (the "SGM") and was completed on 10 June 2021, and 2,058,961,466 rights shares (including 489,055,933 Untaken Shares (as defined below) under the Rights Issue) were issued.

Placing of New Shares

On 16 February 2021, the Company and a placing agent entered into a placing agreement, pursuant to which the Company conditionally appointed the placing agent and the placing agent conditionally agreed to act as the placing agent for the Company to procure, on a best effort basis, to subscribe for the placing shares (i.e. the 489,055,933 untaken rights shares during the Rights Issue (the "Untaken Shares")) at the placing price of HK\$0.10 per placing share on the terms and subject to the conditions set out in the placing agreement (the "Placing"). The Placing was approved by the Shareholders at the SGM and was completed on 10 June 2021, and the Untaken Shares were successfully placed to six (6) placees at the placing price of HK\$0.10 per placing share.

Connected Transaction in relation to the Set-Off

On 29 January 2021, the Company, a subsidiary of the Company and Ms. LAU Ting ("Ms. Lau", a substantial shareholder of the Company), entered into a set-off deed and as amended and supplemented by the supplemental deed to the deed of set-off dated 16 February 2021 (collectively, the "Set-Off Deed"), pursuant to which the parties have agreed to restructure the shareholder's loan in the principal amount of HK\$50 million by offsetting the outstanding balance of the shareholder's loan as at the Rights Issue completion date on a dollar-to-dollar basis against an equivalent amount of the aggregated subscription price of (i) all entitlement shares; and (ii) the relevant excess shares allocated to Ms. Lau (the "Set-Off"). The Set-Off was approved by the independent shareholders at the SGM.

Whitewash Waiver

If the acceptance in full by Ms. Lau of the entitlement shares allotted to her pursuant to the irrevocable undertaking and/or the allotment of excess rights shares to her upon successful excess application when there is an undersubscription of the rights issue would trigger an obligation on Ms. Lau to make a mandatory general offer under The Code on Takeovers and Mergers (the “Takeovers Code”) for all shares not already owned or agreed to be acquired by Ms. Lau and parties acting in concert with her, unless a waiver is granted by the SFC. Ms. Lau made an application to the SFC for the whitewash waiver pursuant to the Takeovers Code (the “Whitewash Wavier”). SFC has granted the Whitewash Waiver on 5 May 2021, subject to the fulfillment of certain conditions and all such conditions imposed by SFC have been fulfilled.

Increase in Authorised Share Capital

On 16 February 2021, the Board proposed that the authorised share capital of the Company be increased from HK\$40 million to HK\$125 million by the creation of 3,400,000,000 additional shares, all of which will, upon issue and being fully paid, rank pari passu in all respects with the shares in issue (the “Increase in Authorised Share Capital”). The Increase in Authorised Share Capital is approved at the SGM.

The other details of the captioned issues (including the respective conditions), please refer to (i) the announcements of the Company dated 16 February 2021, 9 March 2021, 14 April 2021, 10 May 2021, 7 June 2021 and 10 June 2021; (ii) the circular of the Company dated 14 April 2021; and (iii) the prospectus of the Company dated 21 May 2021 (the “Prospectus”).

Use of Proceeds from the Rights Issue and the Placing

The gross proceeds from the Rights Issue and the Placing were approximately HK\$205.9 million and the net proceeds, after deducting the relevant expenses, were approximately HK\$199.4 million.

Details of the proposed application and the actual usage of the net proceeds from the Rights Issue and the Placing as at 30 June 2021 are as follows:

Intended use	Approximate amount of net proceeds <i>HK\$'000</i>	Approximate percentage of net proceeds	Approximate amount utilised during the six months ended 30 June 2021 <i>HK\$'000</i>	Approximate amount unutilized as at 30 June 2021 <i>HK\$'000</i>
Partial repayment of the New Option 1 Bonds	80,000	40.12%	–	80,000
Partial repayment of an existing bank borrowing (including interest) borrowed by Champ Technology Limited, an indirectly wholly-owned subsidiary of the Group	30,000	15.05%	30,000	–
The Set-Off	50,000	25.08%	50,000	–
General working capital of the Group	39,400	19.76%	39,400	–
Total	<u>199,400</u>	<u>100.00%</u>	<u>119,400</u>	<u>80,000</u>

The unutilised net proceeds from the Rights Issue and the Placing are expected to be used according to the intended use of net proceeds as stated in the Prospectus and the announcement of the Company dated 10 June 2021.

Exposure to Exchange Rates Fluctuations

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

Pledge of Asset

At 30 June 2021, the Group's leasehold land and buildings at net book value of approximately HK\$341.5 million (at 31 December 2020: HK\$346 million) were pledged to banks to secure the bank borrowings granted to the Group.

Contingent Liabilities

At 30 June 2021, the Group did not have any material contingent liabilities (at 31 December 2020: Nil).

STAFF

As at 30 June 2021, the Group employed 184 staff (2020: 254). 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.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 18 May 2012, an ordinary resolution has been passed by the Shareholders to adopt a new share option scheme (the "2012 Option Scheme") for the Company. On 27 May 2015 and 13 June 2019, resolutions have been approved by the Shareholders to refresh the limit of granting option under the 2012 Option Scheme respectively. The 2012 Option Scheme shall be valid and effective for a period of ten years commencing on 18 May 2012.

No share option was granted, exercised, cancelled or lapsed under the 2012 Option Scheme during the reporting period.

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

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Interests in the Shares of the Company

Name of Director	Number of Shares	Approximate percentage of the Company's issued share capital (Note 2)
Ms. CHAN Tan Na, Donna	85,936,000 (L)	2.78% (L)
Mr. WU Jingwei	24,660,000 (L)	0.80% (L)
Mr. LI Zikui	4,800,000 (L)	0.16% (L)
Ms. ZHU Xinxin	5,850,000 (L)	0.19% (L)
Mr. HUANG Shenglan	110,000 (L)	0.01% (L)
Mr. CUI Shuming	200,000 (L)	0.01% (L)

Notes:

1. The letter "L" denotes long position(s).
2. Calculation of percentage of the Company's issued share capital is based on the issued share capital of 3,088,442,199 shares of the Company as at 30 June 2021.

As at 30 June 2021, save as disclosed above, none of the Directors or chief executive of the Company or their associates had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2021, as far as is known to the Directors, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

Interests in the Shares and Underlying Shares of the Company

Name of Shareholder	Number of Shares	Approximate percentage of the Company's issued share capital (Note 4)
Ms. LAU Ting ("Ms. Lau")	1,100,655,686 (L) (Note 1)	35.64% (L)
Mr. CHAN Shing ("Mr. Chan")	89,271,455 (L) (Note 2)	2.89% (L)

Notes:

1. 1,028,127,586 shares beneficially owned by Ms. Lau. For the corporate interests, 7,505,287 shares were held by Hang Sing Overseas Limited which was wholly owned by Orient Strength Limited, a company which was wholly-owned by Ms. Lau. 13,773,554 shares were held by Strong Purpose Corporation (“Strong Purpose”), a company which was wholly-owned by Ms. Lau and Mr. Chan. 51,249,259 shares were held by Glory Add Limited (“Glory Add”) which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. Lau and Mr. Chan.
2. 24,248,642 shares beneficially owned by Mr. Chan. For the corporate interests, 13,773,554 shares were held by Strong Purpose, a company which was wholly-owned by Ms. Lau and Mr. Chan. 51,249,259 shares were held by Glory Add which was wholly owned by Favor King Limited, a company which was wholly-owned by Ms. Lau and Mr. Chan.
3. The letter “L” denotes long position(s).
4. Calculation of percentage of the Company’s issued share capital is based on the issued share capital of 3,088,442,199 shares of the Company as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

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 30 June 2021.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently comprises the three Independent Non-Executive Directors of the Company, namely Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Dr. MENG Zhijun. The unaudited consolidated interim results of the Group for the six months ended 30 June 2021 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices under Appendix 14 of the Listing Rules throughout the six months ended 30 June 2021, except for the deviations as disclosed below:

Although some of the Non-Executive Directors of the Company are not appointed for a specific term as is stipulated in code provision A.4.1, all of them are subject to retirement by rotation in accordance with the bye-laws of the Company. The Board will ensure the retirement of each Director, other than the one who holds the office as chairperson or managing director, by rotation at least once every three years. The chairperson is not subject to retirement by rotation as is stipulated in code provision A.4.2 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.

CHANGE OF COMPANY NAME, COMPANY LOGO AND STOCK SHORT NAME

Subsequent to the passing of the special resolution regarding the change of company name at the special general meeting of the Company held on 10 February 2021, the Company has received the relevant certificates' copy on 26 March 2021 which were issued by the Registrar of Companies in Bermuda on 24 March 2021 regarding the change of company name of the Company.

The Company has adopted a new company logo with effect from 26 March 2021.

The stock short name of the Company for trading in the Shares on the Stock Exchange has been changed from "CHINA LOTSYN" to "CHINA ECOTOUR" in English and from "華彩控股" to "中國生態旅遊" in Chinese with effect from 9:00 a.m. on 21 April 2021. The stock code of the Company remains unchanged as "1371". For further details of the change in stock short name, please refer to the announcements of the Company dated 16 April 2021.

AMENDMENTS TO THE BYE-LAWS

Subsequent to the passing of the special resolution regarding certain amendments to the existing bye-laws of the Company (the “Bye-laws”) (the “Amendments”) at the annual general meeting of the Company held on 16 June 2021, the Bye-laws allow the Company to send, mail, dispatch, issue, publish or otherwise make available any corporate communication to the Shareholders using electronic means or placing on the website of the Company or the Stock Exchange to the extent permitted under all applicable laws and regulations and the Bye-laws.

The Amendments would not restrict a Shareholder’s right to receive, free of charge, hard copies of such notices, documents or any other information, if and when they so wish.

EVENTS AFTER REPORTING PERIOD

The Company has the following changes in corporate positions with effect from 1 July 2021:

- (i) Mr. WU Ying Ha was appointed as an Executive Director and the chief executive officer of the Company;
- (ii) Mr. DI Ling was appointed as an Executive Director;
- (iii) Dr. MENG Zhijun was appointed as Independence Non-Executive Director and a member of Audit Committee;
- (iv) Ms. CHAN Tan Na, Donna resigned as the chief executive officer of the Company;
- (v) Mr. LI Zi Kui resigned as an Executive Director;
- (vi) Ms. ZHU Xinxin resigned as an Executive Director; and
- (vii) Mr. CUI Shuming resigned as Independent Non-Executive Director and a member of Audit Committee.

Save as disclosed above, there are no significant events since the end of the reporting period and up to the date of this report.

REQUIRED STANDARD OF DEALING REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by directors set out in the Model Code as its code of conduct for dealings in securities of the Company by the Directors (the “Code of Conduct”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the six months ended 30 June 2021.

On behalf of the Board
CHAN Tan Na, Donna
Chairperson

Hong Kong, 26 August 2021

As at the date of this report, the Board comprises Ms. CHAN Tan Na, Donna, Mr. WU Ying Ha, Mr. WU Jingwei and Mr. DI Ling as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Dr. MENG Zhijun as Independent Non-Executive Directors.