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*(formerly known as China LotSynergy Holdings Limited 華彩控股有限公司\*)  
(Incorporated in Bermuda with limited liability)  
(Stock Code: 1371)*

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020**

### **FINANCIAL RESULTS (AUDITED)**

The board of directors (the “Board” or the “Directors”) of China Ecotourism Group Limited (formerly known as China LotSynergy Holdings Limited; the “Company”) hereby presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

\* For identification purposes only

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3	118,563	154,354
Costs of sales and services			
– Depreciation of lottery terminals		(33,605)	(33,456)
– Others		(57,443)	(59,406)
		<u>(91,048)</u>	<u>(92,862)</u>
Gross profit		27,515	61,492
Other income	5	13,520	57,459
Other (losses)/gains – net	6	(409,777)	6,068
Net impairment losses on financial assets		(26,332)	(406,496)
General and administrative expenses		(144,085)	(203,038)
Share option expenses		–	(5,065)
		<u>(539,159)</u>	<u>(489,580)</u>
Operating loss	7	(539,159)	(489,580)
Finance costs	8	(86,034)	(53,922)
Share of losses of associates		(2,756)	(663)
Share of loss of a joint venture		(2,496)	(2,180)
		<u>(630,445)</u>	<u>(546,345)</u>
Loss before income tax		(630,445)	(546,345)
Income tax credit/(expense)	9	6,527	(3,755)
		<u>(623,918)</u>	<u>(550,100)</u>
Loss for the year		<u>(623,918)</u>	<u>(550,100)</u>
<b>Loss attributable to:</b>			
Owners of the Company		(573,971)	(518,793)
Non-controlling interests		(49,947)	(31,307)
		<u>(623,918)</u>	<u>(550,100)</u>
<b>Loss per share attributable to owners of the Company</b>			
– basic	10	<u>(55.75) HK cents</u>	<u>(51.76) HK cents</u>
– diluted	10	<u>(55.75) HK cents</u>	<u>(51.76) HK cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	(623,918)	(550,100)
Other comprehensive income/(expense):		
<i>Items that will not be reclassified to profit or loss</i>		
Gain on revaluation of properties held for own use	245,546	–
Deferred tax arising on revaluation of properties held for own use	<u>(7,518)</u>	<u>–</u>
	<u>238,028</u>	<u>–</u>
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	22,495	(12,889)
Share of other comprehensive expense of associates and joint venture	<u>176</u>	<u>(139)</u>
	<u>22,671</u>	<u>(13,028)</u>
Other comprehensive income/(expense) for the year	<u>260,699</u>	<u>(13,028)</u>
Total comprehensive expense for the year	<u><u>(363,219)</u></u>	<u><u>(563,128)</u></u>
<b>Attributable to:</b>		
Owners of the Company	(326,641)	(526,765)
Non-controlling interests	<u>(36,578)</u>	<u>(36,363)</u>
<b>Total comprehensive expense for the year</b>	<u><u>(363,219)</u></u>	<u><u>(563,128)</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2020*

	<i>Notes</i>	<b>2020</b>	2019
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>50,138</b>	130,170
Right-of-use assets		<b>342,130</b>	180,614
Intangible assets		<b>63,292</b>	445,751
Interests in associates		<b>189</b>	2,847
Investment in a joint venture		–	2,418
Financial assets at fair value through profit or loss		<b>6,769</b>	7,583
		<b><u>462,518</u></b>	<u>769,383</u>
<b>Current assets</b>			
Inventories		<b>9,694</b>	13,660
Accounts receivable	<i>11</i>	<b>70,705</b>	73,620
Prepayments, deposits and other receivables		<b>128,123</b>	159,533
Cash and bank balances		<b>76,430</b>	64,726
		<b><u>284,952</u></b>	<u>311,539</u>
<b>Total assets</b>		<b><u>747,470</u></b>	<u>1,080,922</u>
<b>Current liabilities</b>			
Accounts payable	<i>12</i>	<b>4,399</b>	2,918
Accruals and other payables		<b>38,872</b>	41,384
Contract liabilities		<b>31,285</b>	18,992
Amount due to a joint venture		<b>6,766</b>	7,902
Amount due to a shareholder		<b>56,880</b>	–
Amounts due to directors		<b>19,703</b>	–
Tax payable		<b>8,100</b>	6,396
Bank borrowings		<b>212,793</b>	245,500
Lease liabilities		<b>10,920</b>	9,169
Convertible bonds		<b>137,205</b>	147,400
		<b><u>526,923</u></b>	<u>479,661</u>
<b>Net current liabilities</b>		<b><u>(241,971)</u></b>	<u>(168,122)</u>
<b>Total assets less current liabilities</b>		<b><u>220,547</u></b>	<u>601,261</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***At 31 December 2020*

	<i>Notes</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Deferred income tax liabilities		<b>39,993</b>	38,233
Lease liabilities		<b>12,256</b>	31,511
		<u><b>52,249</b></u>	<u>69,744</u>
<b>Net assets</b>		<u><b>168,298</b></u>	<u>531,517</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	<i>13</i>	<b>25,737</b>	25,737
Reserves		<b>1,622,090</b>	1,389,169
Accumulated losses		<b>(1,738,885)</b>	(1,179,323)
		<b>(91,058)</b>	235,583
<b>Non-controlling interests</b>		<u><b>259,356</b></u>	<u>295,934</u>
<b>Total equity</b>		<u><b>168,298</b></u>	<u>531,517</u>

## *NOTES:*

### **1. GENERAL INFORMATION**

China Ecotourism Group Limited (formerly known as China LotSynergy Holdings Limited; the “Company”) was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act of Bermuda.

The Company and its subsidiaries (collectively referred to as the “Group”) are technology and operation service providers and suppliers of lottery systems, terminal equipment and gaming products in the China’s lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery, computer ticket game and KENO-type lottery to new media lottery. In 2019, the Group commenced the business engaging in research and development, processing, production and sales of natural and health food.

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

### **2. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost basis, except for owned properties and related leasehold land and certain financial assets and liabilities (including derivative instruments) that are measured at revalued amount or fair value.

#### **Going concern**

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$623,918,000 for the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$241,971,000. These current liabilities included amount due to a shareholder amounting to approximately HK\$56,880,000, amounts due to directors amounting to approximately HK\$19,703,000 and bank borrowings amounting to approximately HK\$212,793,000 and convertible bonds that will be due in the coming twelve months amounting to approximately HK\$137,205,000. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concern.

In view of such circumstances, the directors of the Company have taken the following measures to mitigate the liquidity pressure and to improve the financial position of the Group:

- (a) The Group has been actively negotiating with the relevant bank for renewal of the revolving bank borrowings with outstanding principal amount of HK\$212,000,000 that are secured by the Group’s property located in Hong Kong. Taking into account the fair value of the pledged property in the amount of HK\$346,000,000 as at 28 February 2021, the directors believe that the Group will be able to renew the banking facilities;
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities. Subsequent to the end of the reporting period, the Group successfully obtained new loan facilities in Hong Kong dollars up to HK\$78,000,000 and Renminbi up to RMB90,000,000 (equivalent to approximately HK\$107,015,000) from independent third parties;

## 2. BASIS OF PREPARATION (Cont'd)

### Going concern (Cont'd)

- (c) In relation to a loan from a shareholder with principal amount of HK\$50,000,000 that matured on 20 January 2021, the Group entered, on the same date as the maturity date, into a supplemental loan agreement with the shareholder to extend the maturity date from 20 January 2021 to 20 January 2022;
- (d) Subsequent to the end of the reporting period, the Group has obtained written confirmation from the shareholder mentioned in (c) that she will not demand the Group for repayment of another loan with principal amount of HK\$6,500,000 and its accrued interest in the eighteen months from 24 March 2021;
- (e) Subsequent to the end of the reporting period, the Group has obtained written confirmations from the relevant directors which confirm that they will not demand the Group for repayment of the outstanding principals in the total amount of approximately HK\$19,537,000 and accrued interest in the next eighteen months from 24 March 2021;
- (f) On 16 February 2021, the Group proposed to raise gross proceeds up to approximately HK\$220,750,000 by issuing up to 2,207,541,466 rights shares on the basis of two rights shares for every one existing share at the subscription price of HK\$0.10 per rights share;
- (g) The Group has implemented measures to speed up the collection of outstanding accounts receivable. As referred to a civil judgment received from the Supreme People's Court of The People's Republic of China on 25 March 2021, the directors believe that the Group will be able to collect the outstanding accounts receivable of approximately RMB54,836,000 (equivalent to approximately HK\$65,203,000) due from Beijing China Lottery Online Technology Company Limited before 31 December 2021;
- (h) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

The directors are of the opinion that, taking into account the above-mentioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2020. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### Changes in accounting policy and disclosures

#### (a) *New and amended standards adopted by the Group*

The Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to existing standards for the first time for the financial year beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## 2. BASIS OF PREPARATION (Cont'd)

### (b) *New standards, amendments and interpretations not yet adopted*

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2021 or later periods, but have not been early adopted by the Group.

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

### (c) *Revaluation of owned properties and related leasehold land*

The Group reassessed its accounting for property, plant and equipment with respect to measurement of certain class of property, plant and equipment after initial recognition. The Group had previously measured all property, plant and equipment using the cost model whereby, after initial recognition of the asset classified as property, plant and equipment, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

On 31 December 2020, the Group elected to change the method of accounting for owned properties classified as property, plant and equipment and related leasehold land classified as right-of-use assets, as the Group believes that the revaluation model provides more relevant information to the users of its consolidated financial statements. In addition, available valuation techniques provide reliable estimates of the owned properties and related leasehold land's fair value. The Group applied the revaluation model prospectively.

After initial recognition, owned properties and related leasehold land are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.



### 3. REVENUE

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

	<b>2020</b>	2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sales of lottery terminals and related equipment	<b>35,775</b>	53,692
Sales of natural and health food	<b>8,066</b>	2,123
Provision of technical and maintenance services	<b>33,521</b>	22,260
	<hr/>	<hr/>
Revenue from contracts with customers (within the scope of HKFRS 15)	<b>77,362</b>	78,075
Lease income from operating leases	<b>41,201</b>	76,279
	<hr/>	<hr/>
Total revenue	<b>118,563</b>	154,354
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### 4. SEGMENT INFORMATION

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

Specifically, the Group's reportable segments are as follows:

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

#### 4. 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:

2020	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Revenue from contracts with customers (within the scope of HKFRS 15)	69,296	8,066	77,362
Lease income	41,201	–	41,201
	<u>110,497</u>	<u>8,066</u>	<u>118,563</u>
Revenue from external customers			
	<u>110,497</u>	<u>8,066</u>	<u>118,563</u>
Segment loss	<u>(491,828)</u>	<u>(2,411)</u>	(494,239)
Interest income			6,403
Rental income			203
Fair value gain on financial assets at fair value through profit or loss			98
Gain on remeasurement of convertible bonds			44,813
Write-off of loan receivables			(9,839)
Net impairment losses on financial assets			(20,903)
Finance costs			(86,034)
Share of losses of associates			(2,756)
Share of loss of a joint venture			(2,496)
Unallocated expenses			<u>(65,695)</u>
Loss before income tax			<u>(630,445)</u>

#### 4. SEGMENT INFORMATION (Cont'd)

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

2019	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:			
Revenue from contracts with customers (within the scope of HKFRS 15)	75,952	2,123	78,075
Lease income	<u>76,279</u>	<u>–</u>	<u>76,279</u>
Revenue from external customers	<u>152,231</u>	<u>2,123</u>	<u>154,354</u>
Segment loss	<u>(26,402)</u>	<u>(20,795)</u>	(47,197)
Interest income			57,459
Fair value loss on financial assets at fair value through profit or loss			(978)
Gain on remeasurement of convertible bonds			58,144
Net impairment losses on financial assets			(406,496)
Impairment loss on interest of an associate			(32,000)
Finance costs			(53,922)
Share of losses of associates			(663)
Share of loss of a joint venture			(2,180)
Unallocated expenses			<u>(118,512)</u>
Loss before income tax			<u>(546,345)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs (including directors' emoluments), share of losses of associates and joint venture, impairment of financial assets and interest in an associate, write-off of loan receivables, fair value gain/loss on financial assets at fair value through profit or loss, gain on remeasurement of convertible bonds, investment income and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

There were no sales transactions between the operating segments.

#### 4. 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*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lottery systems, terminal equipment and related products	247,438	752,123
Natural and health food	<u>2,122</u>	<u>4,627</u>
Total segment assets	249,560	756,750
Interests in associates	189	2,847
Investment in a joint venture	–	2,418
Unallocated	<u>497,721</u>	<u>318,907</u>
Consolidated assets	<u><u>747,470</u></u>	<u><u>1,080,922</u></u>

##### *Segment liabilities*

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lottery systems, terminal equipment and related products	51,891	34,945
Natural and health food	<u>17,731</u>	<u>22,095</u>
Total segment liabilities	69,622	57,040
Unallocated	<u>509,550</u>	<u>492,365</u>
Consolidated liabilities	<u><u>579,172</u></u>	<u><u>549,405</u></u>

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, investment in a joint venture, financial assets at fair value through profit or loss, cash and bank balances, and other unallocated corporate assets; and
- all liabilities are allocated to operating segments other than amount due to a joint venture, amount due to a shareholder, amounts due to directors, tax payable, bank borrowings, lease liabilities, convertible bonds, deferred income tax liabilities and other unallocated corporate liabilities.

#### 4. SEGMENT INFORMATION (Cont'd)

##### (c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

2020	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	7,730	–	–	7,730
Depreciation and amortisation	53,190	71	6,992	60,253
Gain on lease termination	252	1	–	253
Gain on lease modification	475	–	–	475
Loss on disposal of property, plant and equipment	43,406	–	–	43,406
Impairment on goodwill and other intangible assets	381,786	–	–	381,786
Impairment of property, plant and equipment	17,007	–	–	17,007
Net impairment losses on financial assets	<u>5,412</u>	<u>17</u>	<u>20,903</u>	<u>26,332</u>
2019	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Additions to non-current assets	53,729	291	–	54,020
Depreciation and amortisation	58,519	17	9,233	67,769
Gain on lease termination	427	–	67	494
Gain/(Loss) on disposal of property, plant and equipment	(218)	–	135	(83)
Impairment of goodwill	–	19,484	–	19,484
Net impairment losses on financial assets	<u>–</u>	<u>–</u>	<u>406,496</u>	<u>406,496</u>

*Note:* Non-current assets exclude financial instruments.

#### 4. SEGMENT INFORMATION (Cont'd)

##### (d) Geographical information

Information about the Group's revenue from external customers is presented based on the locations of the customers. Information about the Group's non-current assets is presented based on the geographical locations of assets.

	Revenue from external customers		Total non-current assets	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
People's Republic of China ("PRC")	114,877	145,747	95,506	592,451
Hong Kong	–	–	349,126	154,056
Others	3,686	8,607	11,117	15,293
	<u>118,563</u>	<u>154,354</u>	<u>455,749</u>	<u>761,800</u>

*Note:* Non-current assets exclude financial instruments.

##### (e) Information about major customers

Revenue from major customers of which amounted to 10% or more of the total revenue, is set out below:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A <sup>1</sup>	32,062	68,134
Customer B <sup>1</sup>	23,045	22,038
Customer C <sup>1</sup>	<u>20,200</u>	<u>N/A<sup>2</sup></u>

<sup>1</sup> Revenue from lottery systems, terminal equipment and related products.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group for that year.

#### 5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from bank deposits and loan receivables	6,403	57,459
Rental income	203	–
Government grants	<u>6,914</u>	<u>–</u>
	<u>13,520</u>	<u>57,459</u>

## 6. OTHER (LOSSES)/GAINS – NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fair value gain/(loss) on financial assets at fair value through profit or loss	98	(978)
Gain on remeasurement of convertible bonds	44,813	58,144
Gain on lease modification	475	–
Gain on lease termination	253	494
Loss on disposal of property, plant and equipment	(43,406)	(83)
Write-off of loan receivables	(9,839)	–
Impairment loss on interest in an associate	–	(32,000)
Impairment of goodwill and other intangible assets	(381,786)	(19,484)
Impairment of property, plant and equipment	(17,007)	–
Foreign exchange losses	(3,378)	(25)
	<u>(409,777)</u>	<u>6,068</u>

## 7. OPERATING LOSS

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Costs of sales and services		
– Depreciation of lottery terminals	33,605	33,456
– Amortisation of intangible assets	10,815	10,690
– Business tax	810	991
– Cost of inventories recognised as expense	31,483	44,113
– Repairs and maintenance	5,302	1,810
– Others	9,033	1,802
	<u>91,048</u>	<u>92,862</u>
Auditors' remuneration	1,780	1,380
Depreciation of other items of property, plant and equipment	3,497	6,250
Depreciation of right-of-use assets	12,068	16,901

## 8. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest expense on bank borrowings	18,802	15,088
Interest expense on lease liabilities	1,557	2,004
Interest expense on amount due to a shareholder	4,605	–
Interest expense on amounts due to directors	232	–
Imputed interest expense on promissory note	–	282
Effective interest expense on convertible bonds	<u>60,838</u>	<u>36,548</u>
	<u><b>86,034</b></u>	<u><b>53,922</b></u>

## 9. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made for the years ended 31 December 2020 and 2019 as the Group had no assessable profits arising in or derived from Hong Kong for both years.

The applicable enterprise income tax rate for PRC subsidiaries is 25% (2019: 25%) except for subsidiaries which are qualified as High and New Technology Enterprises and would be entitled to enjoy a beneficial tax rate of 15% (2019: 15%).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
– PRC Enterprise Income Tax	1,694	4,015
– PRC Withholding Tax	–	1,802
– Adjustments in respect of prior years	<u>(1,365)</u>	<u>535</u>
Total current tax	<b>329</b>	6,352
Deferred tax		
– Origination and reversal of temporary differences	<u>(6,856)</u>	<u>(2,597)</u>
Income tax (credit)/expense	<u><b>(6,527)</b></u>	<u><b>3,755</b></u>

## 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 1,029,480,733 (2019: 1,002,276,624) ordinary shares in issue during the year.

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2019 has been adjusted for the consolidation of shares on 14 June 2019 (the “Share Consolidation”).



## 10. LOSS PER SHARE (Cont'd)

The computation of diluted loss per share for the years ended 31 December 2020 and 2019 did not assume the conversion of the convertible bonds and the exercise of share options since their assumed conversion and exercise would result in a decrease in loss per share.

## 11. ACCOUNTS RECEIVABLE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Lease receivables	65,846	69,202
Trade receivables – goods and services	<u>6,162</u>	<u>4,418</u>
	72,008	73,620
Less: Loss allowance	<u>(1,303)</u>	<u>–</u>
	<u><u>70,705</u></u>	<u><u>73,620</u></u>

Lease income from lottery terminals and systems is billed on a monthly basis and is due 15 to 30 days after month-end. Revenue from sales of goods is billed upon the delivery of products and with credit periods ranging from 30 to 180 days. Revenue from provision of technical and maintenance services is billed on a half-yearly or yearly basis and is due 30 days after the invoice date. The ageing analysis of the accounts receivable net of loss allowance at the end of the reporting period, based on invoice date, is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than three months	2,709	9,932
Over three months but less than one year	441	249
Over one year	<u>67,555</u>	<u>63,439</u>
	<u><u>70,705</u></u>	<u><u>73,620</u></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Less than three months	849	1,113
Over three months but less than one year	748	942
Over one year	<u>2,802</u>	<u>863</u>
	<u><u>4,399</u></u>	<u><u>2,918</u></u>

### 13. SHARE CAPITAL

	<b>Authorised ordinary shares of HK\$0.025 each (after Share Consolidation)</b>	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2019	16,000,000,000	40,000
Share Consolidation	(14,400,000,000)	–
	<u>1,600,000,000</u>	<u>40,000</u>
At 31 December 2019 and 31 December 2020	<u><b>1,600,000,000</b></u>	<u><b>40,000</b></u>
	<b>Issued and fully paid ordinary shares of HK\$0.025 each (after Share Consolidation)</b>	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 January 2019	9,759,807,333	24,399
Share options exercised	170,000,000	425
Share Consolidation	(8,936,826,600)	–
Share options exercised	36,500,000	913
	<u>1,029,480,733</u>	<u>25,737</u>
At 31 December 2019 and 31 December 2020	<u><b>1,029,480,733</b></u>	<u><b>25,737</b></u>

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

The Group is engaged in the provision of technology and operation services for lottery systems, terminal equipment and gaming products in China's lottery market. The principal businesses of the Group cover various lottery products ranging from video lottery ("VLT"), computer-generated ticket games ("CTG") and KENO-type lottery to new media lottery, and continue to explore and develop other potential businesses, including natural and health food business as well as trading business. By building up its technical competencies, expanding into new markets 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**

China's lottery market recorded a 20.9% decline in total sales to RMB333.951 billion in 2020, according to the sales data released by the Ministry of Finance ("MOF"). Welfare Lottery sales fell by 24.4% YOY to RMB144.488 billion, while Sports Lottery sales down 17.9% YOY to RMB189.463 billion. In terms of lottery types, sales of Lotto, Single Match Games ("SMG") and VLT have gone down, while Paper-based Scratch Card and KENO saw a rise in sales compared with last year. Lotto, which is still the industry's main source of revenue, posted a 2.4% YOY drop to RMB221.908 billion in its sales, accounting for 66.5% of total lottery sales. SMG sales decreased by 38.6% YOY to 74.917 billion, accounting for 22.4% of total lottery sales. VLT sales dived by 84.6% YOY to RMB6.795 billion, accounting for 2.0% of total lottery sales. Paper-based Scratch Card sales rose 3.1% YOY to RMB29.420 billion, accounting for 8.8% of total lottery sales. KENO sales skyrocketed 445.9% YOY to 0.911 billion, accounting for 0.3% of total lottery sales.

The Chinese lottery market experienced a record-long market closure in its history, a 49-day shutdown as a result of all operation of physical lottery stores had been suspended since 22 January, caused by the Coronavirus Disease 2019 (the "COVID-19") in 2020. The lottery point-of-sales were hit hard. Therefore, the MOF issued "Notice on Matters related to Effective Management of Lottery Issuance and Sales amidst Pandemic Prevention and Control". The provincial lottery authorities have introduced a variety of subsidy programs to relieve the pressure of first-line lottery distributors. Football leagues and mainstream basketball tournaments in more than 44 countries around the world were halted due to the COVID-19 pandemic, less than a week after China's lottery relaunched on 11 March, extracting a heavy toll on Jing Cai ("竞彩"), a major lottery type of Sports Lottery. In April, the MOF issued "Comment on Cessation of Sale of Seven Video Lottery Games,

including Lianhuan Duobao (連環奪寶)”, agreeing to the discontinuation of sales proposed by China Welfare Lottery Issuance and Administration Centre (“CWLC”). Sales of seven video lottery games, such as Lianhuan Duobao (連環奪寶) would be discontinued. In July, telephone sales of Shandong Sports Lottery and Hainan Sports Lottery were halted successively. In October, the MOF issued two important notices: “Notice on Matters Related to Further Revised Rules of SMG”, further reducing the pay-out ratio, strengthening the supervision of day-to-day operation, including adjusting the timing of sales, restricting high-value betting and strengthening the management of terminals sales; “Notice on Matters Related to Orderly Withdrawal of High-Frequency Games”, executing withdrawal of High-Frequency Games orderly with two designated points of time, from 1 November 2020 onwards and after 2021 Lunar New Year holiday.

Before that, the Chinese government had made continuous and strengthening efforts on monitoring, so as to strictly control the lottery market risks, further highlight the public welfare and social responsibility of the state’s lottery. 12 ministries of the PRC, including the MOF, the General Administration of Sports (“GAOS”), the Ministry of Civil Affairs (“MOCA”), jointly announced a ban on online and telephone lottery sales in 2018. The MOF, the MOCA and the GAOS jointly issued “Notice on Strengthening the Management of Pay-out and Promotion of High-Frequency Games” and “Notice on Revised Rules of High-Frequency Games and SMG, and Intensified Lottery Market Governance” in January 2019, adjusting the rules of the high-frequency games and SMG, altering the range of betting multiples, strengthening the management of terminal sales, and discontinuing the pay-out and promotions. China’s lottery sales recorded a 20% drop in 2020, shaken by multiple blows, including the prohibition of online and telephone lottery tickets sales, suspension of VLT sales, implementation of conservative policies such as new regulations on the market governance of high-frequency games and SMG as well as the outbreak of COVID-19.

China’s lottery market policy has changed significantly, aiming to further optimize the lottery varieties and game structure. Introduction of new, higher-quality, more scientific and reasonable lottery games, restricting high-value betting and other irrational lottery purchase behaviour, which is the core values of the responsible lottery. Sales volume is no longer the main assessment indicator, shaping of responsibility lottery has become a new focus of work. It is the right choice and the only way to follow the healthy development of the lottery industry for Chinese lottery issuance and sales authorities. Later, in the light of the normalization of the pandemic, the MOF required lottery authorities at all levels to resume lottery issuance and sales in an orderly manner, bringing prevention and control needs of the COVID-19 pandemic and practical work together. Thanks to the prevention and control measures that have been winning the day, the lottery space across the mainland is backing on its feet.

## **Business review and outlook**

### ***CTG Business***

On the Welfare Lottery CTG side, Guangdong Province, which is served by the Group, remained the largest provincial Welfare Lottery market in China with sales reached approximately RMB11.843 billion in 2020. Leveraging on distinguished product design, excellent and discreet after-sales service, the Group further won a bid for the Welfare Lottery CTG terminal procurement programme in Guangdong province. Also, Shanghai Welfare Lottery CTG and Chongqing Welfare Lottery CTG, both are served by the Group, recorded sales of approximately RMB4.014 billion and RMB2.516 billion respectively.

In 2020, the Group's Sports Lottery CTG business recorded sustained growth against the backdrop of the outbreak of COVID-19, restricted rules of high-frequency games and SMG, and sinking demand on CTG terminal in various regions. The Group has drawn first blood in winning Sports Lottery terminal procurement programmes from Gansu in June and from Zhejiang, the fifth-largest Sports Lottery provincial market, in July. The Group has kept up the good work and won the year's largest Sports Lottery terminal procurement programme from Henan in October. The Group has been maintaining its leading position in the Sports Lottery space with a total order number of nearly 4,000 units of terminals. At the same time, riding on its splendid service capacities, the Group has been developing its terminal after-sales service business, winning bids for the Sports Lottery after-sales service procurement programmes in the provinces of Guizhou, Liaoning and others. Furthermore, "Notice on Sports Lottery CTG terminal usage in 2020" issued by the China Sports Lottery Administration Centre on 16 October 2020, unveiling the overall evaluation of traditional terminals and android terminals in terms of sales, acceptance, and failure rate. The Group was rated highly by nationwide provincial Sports Lottery authorities, ranking ahead of all manufacturers.

Its overseas market development has been delayed in 2020 due to the worldwide outbreak of COVID-19, but the Group made contributions and brought advanced lottery products and technologies to the African market. The Group launched an online lottery game regulatory system for Ghana's National Lottery Authority in the second quarter, while rolled out three new lottery games in Ghana in the third quarter.

In 2021, the Group will introduce new lottery products that are more suitable for the domestic market with greater interactions, and further establish the operational regulatory platform 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 be available for external sales by mid-2021, facilitating the Philippine's National Lottery Authority to develop new sales channels in a move to make a continuous contribution to public welfare fundraising in Philippine.

### ***Video lottery business***

As a technology-rich product, VLT plays a vital role in China's lottery industry. The Group is the exclusive terminal equipment provider for China Welfare Lottery Video Lottery – VLT (“Welfare VLT”). VLT sales was only RMB6.793 billion in 2020, hitting by double whammy as the outbreak of COVID-19 in early 2020 and suspension of sales at the end of July.

The Chinese lottery market suffered market closure in 2020 due to the outbreak of COVID-19, VLT was no exception to this suspension. Unlike most of the other lottery types, which resumed sales in mid-March, the operation of VLT did not resume until 11 May, which is the same day that CWLC announced that VLT was about to exit the lottery market. Seven video lottery games, including VLT, were withdrawn from the Chinese lottery space 81 days, from 11 May to 31 July, after sales resumed.

VLT sales reached more than RMB360 billion in 6,243 days. VLT made a great contribution with cumulatively generated not less than RMB75 billion for the country's public welfare fund, based on the VLT fundraising ratio of 22% (formerly 20%).

Dongguan Tianyi Electronic Company Limited (“DGTY”), a subsidiary of the Group, has been the supplier of Welfare VLT terminal for 17 years since 2003. The terminal developed and manufactured by DGTY is the only Welfare VLT terminal approved and confirmed by all three ministries including the MOF, the Ministry of Public Security and the MOCA. DGTY has made three generations of terminal replacements and upgrades in the last 17 years, supplying a total number of over 70,000 units of terminals. As of the end of July 2020, approximately 41,500 units of the third-generation terminals have been placed in over 2,000 Welfare VLT halls across 28 provinces, cities, autonomous regions and municipalities in China, supporting the entire Welfare VLT sales nationwide.

DGTY's Welfare VLT supply contract expired in June 2015. According to the supply contract agreed by both parties, DGTY has full ownership of the Welfare VLT terminals. Estimably, sales of Welfare VLT has continued its upward climb and achieved satisfactory performance on the back of the superb quality of DGTY's third-generation terminals, notwithstanding the absence of new terminal over the last five years and hit by the COVID-19. DGTY was well recognized by authorities and players thanks to its strong technological prowess and integrated service capabilities.

In order to protect the Group's lawful rights and interests, 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 was delivered on 10 August 2018, which ruled that CLO is required to pay DGTY cooperation remuneration amounted to approximately RMB1.36 billion and partial interest. On 25 March 2021, the Group received a civil judgment from the Supreme People's Court, ruled that the civil judgement of the People's High Court of Beijing was revoked



and CLO is required to pay DGTY RMB54,835,734.43 and the interest accrued. The Group may use all legal means in order to protect its legal rights and interests, according to legally binding documents that the Group sent to CWLC and CLO along with unanimous accreditation reached by domestic civil law experts, DGTY shall be paid for the provision of this terminals for Welfare VLT's continued used after the expiry of the supply contract.

The launching of the new video lottery business is at a standstill, according to the "Notice on Terminating the Purchase of New Video Lottery Terminals" issued by CWLC. And now, the business prospects of VLT is up in the air prior to the thorough discussion among the State Council and the MOF.

The Group is equipped with the largest dedicated VLT terminal production capacity in China and even in the world, with the most extensive technical tools and experience in design, development, testing and production quality control of video lottery terminal. The Group will actively follow up and participate, endeavour a healthy development of video lottery, and make the greatest contribution to China's lottery business.

### ***New Retail, Artificial Intelligence Business Opportunities***

In 2020, the Group continued to step up its efforts in the development of new products and models under the new environment.

The traditional lottery sales channel already cannot meet the diversified needs of its customer and the need for digitalized and integrated lottery retail channel is gradually arising, resulting from the rise of electronic payments and artificial intelligence. Lottery authorities also continue to beef up the foundation of sales channels and enhance management practices.

In response to these development opportunities, the Group has taken the lead to introduce the notion of new lottery retail, opening up new ideas of lottery business expansion by product and channel innovations.

The Group has stepped up its R&D efforts in fields of artificial intelligence and others, fully used of innovative technologies such as intelligent hardware, the Internet of Things, big data, blockchain and artificial intelligence etc. across the lottery retail channels, namely operation, management, marketing and others, and developed cloud AI-based smart lottery outlets total solution. The solution consisted of intelligent terminal products, as well as a full range of intelligent hardware and software products that are servicing at lottery authorities and point-of-sale, namely intelligent storefront management system, intelligent payment system, intelligent marketing and sales platform, smart lottery big data service system and others. The cloud AI-based smart lottery outlets total solution not only effectively solves the survival and development problem of traditional lottery outlets, but also enriches its vitality, offers the player with new experience, allows a better regulated

and healthier operation environment, and provides the authorities with anew intelligent management tools. At present, the Group has entered into an agreement to jointly promote the business with partners in the lottery industry.

In orders to tap the board artificial intelligence application market, in 2018, the Group, as a leading player in China’s lottery industry, has landed at China’s Sound Valley – the national-level industrial base of artificial intelligence and garnered the award dedicated leading enterprises which settled there. Leveraging on the robust foundation provided by China’s Sound Valley, the Group has achieved milestones in the fields of intelligent hardware, intelligent voice, face recognition, big data and cloud computing, and has received several proprietary intellectual property rights such as patents and software copyrights. On that basis, the Group has developed a number of intelligent hardware products and intelligent software systems for various industries.

New forms of economies spurred by 5G, big data, blockchain, artificial intelligence and others, with the rise of new technologies, new industries and new models. Innovative technology serves as power engine in China. In the future, the group will live up to the opportunities given by the times, empower the lottery industries, and make a positive contribution to the healthy development of China’s lottery market.

#### ***Business Opportunities in Hainan Video Lottery and Electronic Scratch Card***

In 2018, the State Council issued “Guidance on Supporting Hainan in Comprehensively Deepening Reform and Opening Up”, pointing out that it supports Hainan’s exploration and development of SMG and scratch card that based on the large-scale international event, in a bid to promote the development of Hainan’s sports undertakings and sports industry.

With the further development of the Hainan Free Trade Zone, the Group is poised to beef up its strategic layout and in-depth cooperation in the Hainan market, and actively looking into and develop new growth drivers of video lottery and electronic scratch card businesses.

The Group formed a task force with Sanya Asian Beach Games Organizing Committee with an objection to proactively promote the declaration and establishment of the Asian-Beach-Game-themed new lottery, driven by the 6th Asian Beach Games in Sanya. The Group formed a joint venture company with Guoao Group, the organizer of Asian Beach Games, and Sanya Tourism and Culture Investment Group, making full use of Hainan’s policy advantages and geographical conditions, exploring the video lottery and electronic scratch card that suit Hainan’s local market, curbing illegal lottery, enriching entertainment activities during the event, and fostering the sustainable development of tourism, culture and sports on the island.



Gamification and electronic sales are the most significant features of video lottery and electronic scratch card. Lottery games can be sold through mobile phones, tablets, and fixed terminals. The Group will have cross-border collaboration with other industries, namely tourism, sports and others, establishing a “sports + tourism + lottery” integrated entertainment service platform, propelling the development of synergies with numerous industries, and striving for shared prosperity.

### ***Natural & Health Food Business***

Tian Ran Lin Chang Food Limited (“TRLC”) recorded considerable growth in 2020. Health food received rising attention due to COVID-19. TRLC has been adhering to the beliefs of natural and healthy products with all of its products obtained China Forest food Certifications, gaining more consumer recognition.

TRLC has been enhancing the mushrooms products, nuts products, honey, fresh fruits and other products upon the market needs. After several years of development, the brand influence of TRLC has been growing by its products stability and sound user experience, especially mushroom products have been well received by customers and have become a must-buy item on some enterprises’ centralized procurement list, with a significant YOY increase in sales during the festivals when enterprises do more centralized purchasing, for instance, Lunar New Year, Dragon Boat Festival and others.

In 2020, TRLC explored more community group buying and enterprise centralized procurement in addition to its existing channels, like Benlai Life, optimized the supply system, reduced supply costs and increased profitability. In 2021, TRLC will open up more channels and develop more varieties of products subject to the particularities of each channel.

### ***Trading Business***

The Group believes that it can maintain its competitive advantage through innovation and creative, hence, the Group continues to explore other potential businesses. The Group deployed to launch a trading business for various types of goods other than lottery products through its existing networks and resources for the purpose of generating income and enhancing the Group’s competitiveness. The Group will continue to review the effectiveness of the relevant business.

### ***Ecotourism Business in China***

The Company has entered into a “Strategic Cooperation Agreement on Development of Ecotourism Spots in China” with China Eco Development Association in January 2021. The two parties intend to establish a comprehensive strategic partnership to cooperate in the development of the ecotourism business in China.

The Company expects that China's ecotourism will meet new market development opportunities with the opening of high-speed rail across China and the new development pattern in which the domestic economic cycle plays a leading role. The Company believes that the strategic cooperation will enable the Group to utilize the respective resource advantages of both parties and cooperate more efficiently in the construction of ecotourism service system and related businesses.

The change of company name from "China LotSynergy Holdings Limited" to "China Ecotourism Group Limited" demonstrates the Group's future strategy and provides the Group with a new corporate image which will enable the Group to better identify itself and capture potential business opportunities for its future development.

### ***Conclusion***

The one-two punch from the COVID-19 pandemic and policy adjustment dragged down the sales of China's lottery in 2019. The lottery industry was at the hardest time with sales tumbled in 2020.

In the past two years, the Chinese lottery has been shifting from simply pursuing sales volume and speed to quality and overall social benefits, with special emphasis on building up and carrying out a responsible lottery to promote a healthy ecosystem.

There is a need for adjusted policies with a combination of interception and guidance, and encourage the lottery industry's product innovation and model innovation amidst the normalization of the COVID-19 pandemic, alongside shutting down of extensive lottery channels which took three decades to build up, a drastic drop in the public welfare fund, illegal lottery and online gambling were everywhere and mobile games went viral. The lottery is born best for paperless, electronic, dispersed and mobile consumption. Lottery sales via the internet and mobile should be attempted, coupled with the transformation of the existing physical lottery stores through artificial intelligence and new retail, in a way that enhances user experience and develops a new stratum of lottery players.

With its continuous investment and in-depth understanding of the lottery industry for more than a decade, the Group will bring its edges together and look for a wide range of cooperation in terms of sales channels, core systems, gaming products, lottery security, among others, contributing to the development of a responsible, reliable, healthy and sustainable China's lottery ecosystem. The Group will push ahead internationalization of the lottery while rooting in China, continue to explore and innovate a more diverse business model.

## **EXTRACT OF INDEPENDENT AUDITORS' REPORT FROM THE ANNUAL REPORT**

The following is an extract of independent auditors' report issued by the Company's external auditor:

### ***Opinion***

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### ***Material uncertainty related to going concern***

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$623,918,000 during the year ended 31 December 2020 and, as of that date, the Group's current liabilities exceeded its current assets by approximately HK\$241,971,000. As stated in Note 2.1, these events or conditions, along with other matters as set forth in Note 2.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## **FINANCIAL REVIEW**

The Group recorded a turnover of approximately HK\$118.6 million (2019: HK\$154.4 million) for the year ended 31 December 2020, representing a decrease of approximately 23% over 2019. Loss attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately HK\$574 million (2019: HK\$518.8 million), and is mainly due to impairment losses of non-current assets amounting to approximately HK\$398.8million (2019: HK\$19.5 million), and staff costs (excluding employee share option benefits) of approximately HK\$84.7 million (2019: HK\$97.5 million).

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

As at 31 December 2020, the Group had net current liabilities of approximately HK\$242 million (2019: HK\$168.1 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. The management of the Group has given consideration to the following steps taken which expected to strengthen the Group's financial position:

- (a) The Group has been actively negotiating with the relevant bank for renewal of the revolving bank borrowings with outstanding principal amount of HK\$212,000,000 that are secured by the Group's property located in Hong Kong. Taking into account the fair value of the pledged property in the amount of HK\$346,000,000 as at 28 February 2021, the directors believe that the Group will be able to renew the banking facilities;
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities. Subsequent to the end of the reporting period, the Group successfully obtained new loan facilities in Hong Kong dollars up to HK\$78,000,000 and Renminbi up to RMB90,000,000 (equivalent to approximately HK\$107,015,000) from independent third parties;
- (c) In relation to a loan from a shareholder with principal amount of HK\$50,000,000 that matured on 20 January 2021, the Group entered, on the same date as the maturity date, into a supplemental loan agreement with the shareholder to extend the maturity date from 20 January 2021 to 20 January 2022;
- (d) Subsequent to the end of the reporting period, the Group has obtained written confirmation from the shareholder mentioned in (c) that she will not demand the Group for repayment of another loan with principal amount of HK\$6,500,000 and its accrued interest in the eighteen months from 24 March 2021;
- (e) Subsequent to the end of the reporting period, the Group has obtained written confirmations from the relevant directors which confirm that they will not demand the Group for repayment of the outstanding principals in the total amount of approximately HK\$19,537,000 and accrued interest in the next eighteen months from 24 March 2021;
- (f) On 16 February 2021, the Group proposed to raise gross proceeds up to approximately HK\$220,750,000 by issuing up to 2,207,541,466 rights shares on the basis of two rights shares for every one existing share at the subscription price of HK\$0.10 per rights share;
- (g) The Group has implemented measures to speed up the collection of outstanding accounts receivable. As referred to a civil judgment received from the Supreme People's Court of The People's Republic of China on 25 March 2021, the directors believe that the Group will be able to collect the outstanding accounts receivable of approximately RMB54,836,000 (equivalent to approximately HK\$65,203,000) due from Beijing China Lottery Online Technology Company Limited before 31 December 2021;

- (h) 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 31 December 2020, the Company had an outstanding corporate guarantee limited to approximately HK\$240 million (2019: HK\$240 million) for a banking facility of an uncommitted revolving loan of approximately HK\$240 million (2019: HK\$240 million).

The Group had outstanding bank borrowings as at 31 December 2020 of approximately HK\$212.8 million (2019: HK\$245.5 million). As at 31 December 2020, 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\$346 million (2019: HK\$151.6 million); and (ii) a personal guarantee executed by a director of the Company (2019: a personal guarantee executed by a director of the Company).

At 1 January 2020, the outstanding convertible bonds of the Company were 7.5% convertible bonds due 2019 in the aggregate principal amount of HK\$174.8 million (the “New Option 1 Bonds”). Under the first supplemental trust 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 28 April 2020, the Company and the holders of New Option 1 Bonds entered into the third supplemental trust deed to further extend the maturity date from 7 November 2020 to 7 November 2021. Repayments will be in three instalments: (i) 15% of the principal amount outstanding on 7 November 2020; (ii) 15% of the principal amount outstanding on 7 May 2021; and (iii) remaining of the principal amount outstanding on the maturity date on 7 November 2021. The Company has repaid the first installment of HK\$26.22 million on 9 November 2020 which was being the next business day after 7 November 2020.

During the year under review, no New Option 1 Bonds had been converted into the shares of the Company by the bondholders. At 31 December 2020, 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 74,290,000 shares of the Company.

The Group’s total equity amounted to approximately HK\$168.3 million at 31 December 2020 (2019: HK\$531.5 million). At 31 December 2020, net current liabilities of the Group amounted to approximately HK\$242 million (2019: HK\$168.1 million), including approximately HK\$76.4 million in cash and deposits with banks and financial institution (2019: HK\$64.7 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2020 was approximately 77.5% (2019: 50.8%).

## **Exposure to Exchange Rates Fluctuations**

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

## **Pledge of Assets**

As at 31 December 2020, the Group's leasehold land and buildings at net book value of approximately HK\$346 million (2019: HK\$151.6 million) were pledged to banks to secure the bank borrowings granted to the Group.

## **Contingent Liabilities**

As at 31 December 2020, the Group did not have any material contingent liabilities (2019: Nil).

## **Staff**

As at 31 December 2020, the Group employed 215 full time employees (2019: 265). The management believes that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund, medical insurance and regulated employees' social security program in China. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programs for staff are provided as and when required. The Group will further strengthen its team buildup, in order to offer enhanced services for lottery market.

## **Purchase, Sale or Redemption of the Company's Listed Securities**

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2020.

## **Audit Committee**

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



## **Sale of Property**

At 18 June 2020, Wide Perfect Limited, an indirect wholly-owned subsidiary of the Company entered into a provisional agreement for sale and purchase to sell a property for a consideration of HK\$44,380,000. Completion of the sale of property has taken place on 18 August 2020.

## **Connected Transaction in relation to Subscription for Convertible Bonds under Specific Mandate, Application for Whitewash Waiver and the Termination**

On 9 October 2020, the Company entered into a subscription agreement with a subscriber, being a substantial shareholder of the Company, pursuant to which the Company conditionally agreed to issue, and the subscriber conditionally agreed to subscribe for, the convertible bonds in the aggregate principal amount of HK\$50,000,000, which may be converted into 333,333,333 conversion shares based on the initial conversion price of HK\$0.15 per conversion share upon full conversion. As such, under The Code on Takeovers and Mergers, the allotment and issuance of the conversion shares to the subscriber would give rise to an obligation on the part of the subscriber to make a mandatory general offer for all the securities of the Company not already owned or agreed to be acquired by the subscriber and parties acting in concert with her unless the whitewash waiver is obtained from the Executive. The subscriber would make an application to the Executive for the whitewash waiver in respect of the allotment and issuance of the conversion shares to the subscriber pursuant to The Code on Takeovers and Mergers.

On 20 January 2021, the Company entered into a termination deed with the subscriber, pursuant to which the Company and the subscriber agreed to mutually terminate the subscription agreement without any liability of any party. For the purpose of The Code on Takeovers and Mergers, the abovementioned whitewash waiver is no longer required.

## **Corporate Governance**

The Company has complied with the code provisions of the Corporate Governance Code (the “Code”) under Appendix 14 of the Listing Rules throughout the year ended 31 December 2020, except for the deviations as disclosed below:

The Chairperson of the Company, Ms. CHAN Tan Na, Donna, currently also assumes the role of the Chief Executive Officer. Although the Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual, the Board considers that given the nature of the Group’s businesses which requires considerable market expertise, the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management. 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. Mr. HUANG Shenglan and Ms. CHAN Tan Na, Donna were absent from the 2019 annual general meeting of the Company as is stipulated in Code provision A.6.7 and E.1.2 respectively due to their other important engagement.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

### **Required Standard of Dealing regarding Securities Transactions by Directors**

The Company has adopted 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”) as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2020.

### **EVENT AFTER REPORTING PERIOD**

#### **Proposed Right Issue, Placing of New Shares under Specific Mandate, Connected Transaction in relation to the set-off, Application for Whitewash Waiver and Proposed Increase in Authorised Share Capital**

On 16 February 2021, the Board proposes to conduct the rights issue on the basis of two (2) rights shares for every one (1) existing share held on the relevant record date at the subscription price of HK\$0.10 per Rights Share, to raise up to approximately HK\$220.75 million before expenses by way of issuing up to 2,207,541,466 rights shares (assuming there is no change in the total number of issued shares from 16 February 2021 up to and including the record date other than the full exercise of conversion rights under the outstanding New Option 1 Bonds on or before the record date).

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, places to subscribe for the placing shares (i.e. the untaken shares during the rights issue) 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.

On 29 January 2021, the Company, a subsidiary of the Company and Ms. Lau Ting entered into a set-off deed, pursuant to which the parties have agreed to restructure the shareholder’s loan in the principal amount of HK\$50,000,000 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 will be conditional upon the rights issue becoming unconditional pursuant to the terms and conditions as set out in the Prospectus.

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 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 Executive. Ms. Lau would make an application to the Executive for the whitewash waiver pursuant to The Code on Takeovers and Mergers.

On 16 February 2021, the Board proposes that the authorised share capital of the Company be increased from HK\$40,000,000 to HK\$125,000,000 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 other details of the captioned issues (including the respective conditions) have been listed out in the announcement dated 16 February 2021 of the Company.

### **Change of Company Name and Company Logo**

Subsequent to the passing of the special resolution regarding the proposed 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, and the Company has adopted a new company logo with effect from 26 March 2021.

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

Hong Kong, 31 March 2021

*As at the date of this announcement, the Board comprises Ms. CHAN Tan Na, Donna, Mr. WU Jingwei, Mr. LI Zi Kui and Ms. ZHU Xinxin as Executive Directors; and Mr. HUANG Shenglan, Mr. CHAN Ming Fai and Mr. CUI Shuming as Independent Non-executive Directors.*