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China Ecotourism Group Limited

中國生態旅遊集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1371)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

INTERIM FINANCIAL STATEMENTS

The board of directors of China Ecotourism Group Limited (the “Company”) (the “Board” or “Directors”) hereby presents the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 December 2024, together with the comparative unaudited figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Unaudited	
		Six months ended 31 December	
		2024	2023
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	2	98,351	47,457
Costs of sales and services	3	<u>(50,542)</u>	<u>(34,160)</u>
Gross profit		47,809	13,297
Other income	4	8,211	3,532
Other losses - net	5	(74,155)	(160)
Loss on deconsolidation of a subsidiary		—	(40,073)
General and administrative expenses		<u>(38,127)</u>	<u>(39,718)</u>
Operating loss	6	(56,262)	(63,122)
Finance costs	7	<u>(2,857)</u>	<u>(17,533)</u>
Loss before income tax		(59,119)	(80,655)
Income tax (expense)/credit	8	<u>(797)</u>	<u>445</u>
Loss for the period		<u>(59,916)</u>	<u>(80,210)</u>
Loss attributable to:			
Owners of the Company		(67,748)	(71,577)
Non-controlling interests		<u>7,832</u>	<u>(8,633)</u>
		<u>(59,916)</u>	<u>(80,210)</u>
Loss per share attributable to owners of the Company for the period			
— basic (HK\$ per share)	9	<u>(0.44)</u>	<u>(0.46)</u>
— diluted (HK\$ per share)	9	<u>(0.44)</u>	<u>(0.46)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK'000	HK'000
Loss for the period	(59,916)	(80,210)
Other comprehensive expense for the period:		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	—	—
Total comprehensive expense for the period	<u>(59,916)</u>	<u>(80,210)</u>
Attributable to:		
Owners of the Company	(67,748)	(71,577)
Non-controlling interests	<u>7,832</u>	<u>(8,633)</u>
Total comprehensive expense for the period	<u>(59,916)</u>	<u>(80,210)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Unaudited as at 31 December 2024 <i>HK\$'000</i>	Audited as at 30 June 2024 <i>HK\$'000</i>
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		3,844	4,133
Right-of-use assets		209	209
Intangible assets		8,533	9,965
Interests in associates		189	189
Financial assets at fair value through profit or loss ("FVTPL")		48	48
		<u>12,823</u>	<u>14,544</u>
Current assets			
Inventories		28,137	27,132
Accounts receivable	10	3,805	5,036
Prepayments, deposits and other receivables		3,992	19,837
Restricted bank deposits		21,769	20,380
Cash and bank balances		46,221	27,671
		<u>103,924</u>	<u>100,056</u>
Total assets		<u>116,747</u>	<u>114,600</u>
Current liabilities			
Accounts payable	11	2,740	2,485
Accruals and other payables		122,193	71,463
Contract liabilities		38,144	47,911
Amount due to a former subsidiary		54,591	54,591
Amounts due to a joint venture		11,456	11,456
Amounts due to a shareholder		—	37,324
Amounts due to a key management personnel		11,994	19,551
Tax payable		1,026	1,026
Bank and other borrowings		—	7,690
Lease liabilities		1,139	1,755
Derivative financial liabilities at FVTPL	12	326,894	252,767
		<u>570,177</u>	<u>508,019</u>
Net current liabilities		<u>(466,253)</u>	<u>(407,963)</u>
Total assets less current liabilities		<u>(453,430)</u>	<u>(393,419)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Cont'd)

		Unaudited as at 31 December 2024 <i>Notes</i> <i>HK\$'000</i>	Audited as at 30 June 2024 <i>HK\$'000</i>
Non-current liabilities			
Deferred income tax liabilities		22,656	23,014
Lease liabilities		<u>3,875</u>	<u>3,875</u>
		<u>26,531</u>	<u>26,889</u>
Net liabilities		<u>(479,961)</u>	<u>(420,308)</u>
Equity attributable to owners of the Company			
Share capital	13	77,211	77,211
Accumulated losses		(2,346,422)	(2,277,586)
Statutory reserve		25,603	24,515
Other reserves	14	<u>1,523,311</u>	<u>1,523,048</u>
		(720,297)	(652,812)
Non-controlling interests		<u>240,336</u>	<u>232,504</u>
Total deficit		<u>(479,961)</u>	<u>(420,308)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Six months ended 31 December 2024

Attributable to owners of the Company

	Share Capital <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2024	77,211	(2,277,586)	24,515	1,523,048	232,504	(420,308)
(Loss)/profit for the period	—	(67,748)	—	—	7,832	(59,916)
Other comprehensive expenses:						
Currency translation differences	—	—	—	263	—	263
Total comprehensive expenses	—	(67,748)	—	263	7,832	(59,653)
Appropriation to statutory reserve	—	(1,088)	1,088	—	—	—
At 31 December 2024	77,211	(2,346,422)	25,603	1,523,311	238,383	(479,961)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Cont'd)

Unaudited

Six months ended 31 December 2023

Attributable to owners of the Company

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited	
	Six months ended 31 December	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before changes in working capital	17,012	(25,606)
Changes in working capital	11,012	11,334
Income tax paid	(1,155)	(1,075)
	<hr/>	<hr/>
Net cash used in operating activities	26,869	(15,347)
Net cash used in investing activities	(1,316)	(810)
Net cash used in financing activities	(7,003)	(7,917)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	18,550	(24,074)
Effect of foreign exchange rate changes	—	—
Cash and cash equivalents at beginning of the period	27,671	84,207
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	46,221	60,133
	<hr/>	<hr/>

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and significant accounting policies

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standards 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”).

1.1 Going concern

In preparing the unaudited condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a net loss of approximately HK\$67,748,000 for the six months ended 31 December 2024 and, as of that date, the Group’s current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately HK\$466,253,000 and HK\$479,961,000 respectively. As at that date, the Group’s total liabilities amounted to HK\$596,708,000. Since October 2023, the Group defaulted in repayment of mortgage loans and convertible bonds triggering appointments of receivers (the “Receivers”) by the bank in respect of the mortgaged property and a trustee of convertible bonds in respect of the charged shares. Moreover, the Company received a winding-up petition filed by a trustee of convertible bonds. On 13 November 2024, the petition was finally withdrawn. Currently, the Group might not be able to meet its liabilities in full unless it is able to generate sufficient cash flows from future operations and/or other sources, since as at 31 December 2024, the Group only had cash and bank balances of approximately HK\$46,221,000 and restricted bank deposits of approximately HK\$21,769,000. These events or conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

In this regard, the directors of the Company have identified various initiatives to address the Group’s liquidity needs, which include the following:

- (a) The management of the Group is in the course of seeking for a possible solution to the issues resulting from the defaults and will work closely with its advisors, Acclime Corporate Advisory (Hong Kong) Limited, to conduct a review of the financial positions of the Group and formulate a viable restructuring plan;
- (b) The Group has also been actively negotiating with various banks and persons or institutions providing finance to obtain additional new credit facilities;
- (c) The Group has been actively negotiating with bondholders to formulate a debt restructuring plan;
- (d) The Group will continue to seek for equity financing opportunities;
- (e) The Group will continue to implement measures to speed up the collection of outstanding accounts and other receivables; and
- (f) The Group will continue to take active measures to control administrative costs and maintain containment of capital expenditures.

Based on the cash flow forecast of the Group prepared by the management and assuming success of the above measures, the directors of the Company are of the opinion that the Group would have adequate funds to meet its liabilities. Accordingly, the directors of the Company consider it is appropriate to prepare the unaudited condensed consolidated interim financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in these unaudited condensed consolidated interim financial statements.

1.2 Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRS”)

Except for the application of new and amendments to HKFRSs issued by the HKICPA that are effective for the annual periods beginning on or after 1 July 2024, the principal account policies used in the preparation of these condensed consolidated interim financial statements for the six months ended 31 December 2024 are consistent with those adopted in the preparation of audited financial statements for the year ended 30 June 2024.

For the six months ended 31 December 2024, the Group has applied all new and amendments to HKFRSs issued by the HKICPA that are effective for the Group’s financial year beginning on or after 1 July 2024. The application of the new and amendments to HKFRSs has had no material impact on the Group’s financial performance and positions for the current/prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

The Group has not early adopted any new and amendments to HKFRSs that have been issued by the HKICPA but are not yet effective.

2. Revenue and segment information

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

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Sales of lottery terminals and related equipment	86,171	29,700
Sales of natural and health food	30	2,351
Provision of technical and maintenance services	10,832	14,015
Provision of operation and management services for ecotourism business	1,318	1,391
	<hr/>	<hr/>
Revenue from contracts with customers (within the scope of HKFRS 15)	98,351	47,457
Lease income from operating leases	—	—
	<hr/>	<hr/>
Total revenue	98,351	47,457
	<hr/>	<hr/>

The Group's reportable segments are as follows:

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

2. Revenue and segment information (Cont'd)

(a) *Segment revenue and results*

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

	Unaudited Six months ended 31 December 2024			
	Lottery systems, terminal equipment and related products <i>HK\$'000</i>	Natural and health food <i>HK\$'000</i>	Ecotourism <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Revenue from contracts with customers (within the scope of HKFRS 15)	<u>97,003</u>	<u>30</u>	<u>1,318</u>	<u>98,351</u>
Segment profit/(loss)	<u>22,845</u>	<u>(81)</u>	<u>(139)</u>	<u>22,625</u>
Interest income				73
Fair value loss on derivative financial liabilities at FVTPL				(74,127)
Finance costs				(285)
Unallocated expenses				<u>(7,405)</u>
Loss before income tax				<u><u>(59,119)</u></u>

2. Revenue and segment information (Cont'd)

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

	Unaudited Six months ended 31 December 2023			
	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)	43,715	2,351	1,391	47,457
Lease income	—	—	—	—
Revenue from external customers	<u>43,715</u>	<u>2,351</u>	<u>1,391</u>	<u>47,457</u>
Segment loss	<u>(5,740)</u>	<u>(781)</u>	<u>(1,756)</u>	(8,277)
Interest income				257
Fair value loss on financial assets at FVTPL				(339)
Changes in interest and obligation in respect of a deconsolidated subsidiary				(40,073)
Finance costs				(17,553)
Unallocated expenses				<u>(14,670)</u>
Loss before income tax				<u>(80,655)</u>

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

(b) *Segment assets and liabilities*

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

Segment assets

	Unaudited as at 31 December 2024 HK\$'000	Audited as at 30 June 2024 HK\$'000
Lottery systems, terminal equipment and related products	112,299	63,308
Natural and health food	833	911
Ecotourism	2,974	1,849
	<hr/>	<hr/>
Total segment assets	116,106	66,068
Interests in associates	189	189
Financial assets at FVTPL	48	48
Equity investment at FVTPL	—	—
Unallocated	404	48,295
	<hr/>	<hr/>
Consolidated assets	116,747	114,600

Segment liabilities

	Unaudited as at 31 December 2024 HK\$'000	Audited as at 30 June 2024 HK\$'000
Lottery systems, terminal equipment and related products	72,302	25,367
Natural and health food	11,422	11,152
Ecotourism	11,373	5,464
	<hr/>	<hr/>
Total segment liabilities	95,097	41,983
Derivative financial liabilities at FVTPL	326,894	252,767
Unallocated	174,717	240,158
	<hr/>	<hr/>
Consolidated liabilities	596,708	534,908

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

(c) *Geographical information*

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

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
People's Republic of China ("PRC")	96,810	46,293
Others	1,541	1,164
	98,351	47,457

3. Cost of sales and services

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Amortisation of intangible assets	1,663	1,663
Business tax	179	110
Cost of inventories recognised as expense	40,556	23,161
Repairs and maintenance	—	4
Others	8,144	9,222
	50,542	34,160

4. Other income

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Interest income from bank deposits and loan receivables	73	257
Government grants	—	886
Others	8,138	2,389
	8,211	3,532

5. Other losses — net

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Fair value loss on financial assets at FVTPL	—	(339)
Gain on lease termination	—	219
Fair value loss on derivative financial liabilities at FVTPL		
- on bank loan	(61,145)	—
- on loan from a finance company	(5,501)	—
- on convertible bonds	(7,481)	—
	<u>(74,127)</u>	<u>—</u>
Loss on disposal of property, plant and equipment	—	(1)
Foreign exchange losses	(28)	(39)
	<u>(74,155)</u>	<u>(160)</u>

6. Operating loss

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Operating loss is stated after charging:		
Staff costs (excluding share options expenses)	22,021	25,577
Depreciation of other items of property, plant and equipment	430	5,202
	<u>22,451</u>	<u>30,779</u>

7. Finance costs

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Interest expenses on bank and other borrowings	64	10,914
Interest expenses on lease liabilities	221	275
Effective interest expenses on convertible bonds	—	5,503
Other interest expenses	2,572	841
	<u>2,857</u>	<u>17,533</u>

8. Income tax (expenses)/credit

	Unaudited	
	Six months ended 31 December	
	2024	2023
	HK\$'000	HK\$'000
Current tax		
— PRC Enterprise Income Tax	(1,155)	—
Deferred tax		
— Origination and reversal of temporary differences	358	445
	(797)	445

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in or derived from Hong Kong during the six months ended 31 December 2024 (31 December 2023: 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 154,422,109 (2023: 154,422,109) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 31 December 2023 and 31 December 2024 did not assume the conversion of convertible bonds since its assumed conversion would result in a decrease in loss per share.

10. Accounts receivable

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

	Unaudited	Audited
	as at	as at
	31 December	30 June
	2024	2024
	HK\$'000	HK\$'000
Less than three months	377	3,176
Over three months but less than one year	1,787	1,860
Over one year	1,641	—
	3,805	5,036

11. Accounts payable

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

	Unaudited as at 31 December 2024 HK\$'000	Audited as at 30 June 2024 HK\$'000
Less than three months	1,388	971
Over three months but less than one year	—	247
Over one year	1,352	1,267
	<u>2,740</u>	<u>2,485</u>

12. Derivative financial liabilities at FVTPL

	Unaudited as at 31 December 2024 HK\$'000	Audited as at 30 June 2024 HK\$'000
Liabilities from financial guarantee at FVTPL arising from bank and other borrowings	150,636	83,990
Derivative financial liabilities at FVTPL arising from convertible bonds	176,258	168,777
	<u>326,894</u>	<u>252,767</u>

13. Share capital

	Unaudited	
	Authorised ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 July 2023, 31 December 2023, 1 July 2024 and 31 December 2024		
Balance of authorised ordinary shares of HK\$0.50 each	250,000,000	125,000

	Unaudited	
	Issued and fully paid ordinary shares	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 1 July 2023, 31 December 2023, 1 July 2024 and 31 December 2024		
Balance of issued ordinary shares of HK\$0.50 each	154,422,109	77,211

14. Reserves

	Unaudited					
	Six months ended 31 December 2024					
	Share Premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Currency translation reserve <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at						
1 July 2024	1,625,182	15,158	(42,657)	(76,559)	1,924	1,523,048
Currency translation differences						
— overseas subsidiaries	—	—	—	263	—	263
Balance as at						
31 December 2024	1,625,182	15,158	(42,657)	(76,296)	1,924	1,523,311

14. Reserves (Cont'd)

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2024 (2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

In 2024, global economic growth lacked momentum, with intensified great power competition and geopolitical conflicts, as well as escalating trade protectionism. The adverse impacts of changes in the external environment deepened. Facing the complex and severe external situation, the Central Committee of the Communist Party of China promptly analyzed and made decisions, particularly by decisively deploying a package of incremental policies in late September, which significantly boosted social confidence. China's economy withstood the downward pressure from both external risks and challenges and the interplay of multiple domestic factors, achieving stable and progressive economic performance. The main goals and tasks of economic and social development were successfully accomplished. The annual GDP growth rate reached 5%, contributing nearly 30% to global economic growth.

In the second half of 2024, the Group's lottery business, as well as its ecotourism and natural health food businesses, operated normally overall, with steady progress.

China's Lottery Market

In 2024, "high-quality development" became a key and frequently mentioned term in China's lottery industry. Lottery institutions introduced multiple regulatory documents on issuance, sales, and internal management to ensure high-quality development through high-standard regulatory practices. The industry has made steady progress in building public trust, shifting its focus from "quantity-driven" to "quality-driven" growth.

According to data released by the Ministry of Finance, from July to December 2024, China's lottery sales reached RMB315.008 billion, an increase of RMB9.211 billion compared to the same period in 2023, representing a growth of 3.0%. Among them, the welfare lottery sales amounted to RMB102.937 billion, a decrease of RMB1.688 billion year-on-year, down by 1.6%. Sports lottery sales reached RMB212.071 billion, an increase of RMB10.899 billion year-on-year, up by 5.4%. By aspects of various type of lottery products, sales of lotto and digital lottery ("Lotto") were RMB88.776 billion, a year-on-year decrease of 3.9%; Single Match Games ("SMG") sales were RMB152.888 billion, a year-on-year increase of 22.8%; Paper-based Scratch Card ("PSC") sales were RMB52.440 billion, a year-on-year decrease of 22.8%; and KENO type lottery ("KENO") sales were RMB20.873 billion, remaining flat compared to the same period last year. Lotto, SMG, PSC, and KENO lottery sales accounted for 28%, 49%, 17%, and 7% of total lottery sales, respectively. Video lottery sales were RMB0.70 million, a year-on-year decrease of 19.6%.

China's Ecotourism Market

In 2024, China's tourism economy shifted from a recovery phase to a new cycle of prosperous development. Key indicators for domestic tourism during the "seven festivals and two seasons", including the Spring Festival, Labor Day, National Day, summer vacation and ice and snow season, have continuously reached new highs. New tourism demands such as ice and snow activities, summer heat retreats, educational travel, food experiences, shopping, self-driving tours, and cruises have driven tourism investment and business innovation.

However, looking at the overall tourism market in the second half of the year, a phenomenon of "high enthusiasm for travel but low financial returns" has emerged – there is a surge in travel enthusiasm on one side, and a conservative willingness to spend on the other. Officially released tourism data is encouraging, and major attractions are bustling with visitors, but behind these promising figures lies a tourism economy still in a "healing" period. With the outbreak of unemployment and layoffs following the pandemic, the income of most wage earners has sharply declined, and the previously affluent middle class has experienced varying degrees of income reduction, which directly suppresses and lowers tourism spending.

Tourism investment is also showing a sluggish trend. According to rough estimates, the investment scale of domestic cultural and tourism projects in 2024 has decreased by at least 30% compared to the previous year. As of the end of December 2024, there are 36 A-share listed tourism companies. In terms of net profit, 10 companies had recorded negative net profits, accounting for about 27.8%, whereas with the largest loss reported by Shenzhen Overseas Chinese Town A-Share at RMB-2.351 billion. Regarding revenue growth rates, the operating income of 7 companies fell by over 12% year-on-year, among which 4 were loss-making enterprises and 3 were profitable. The number of idle tourism assets continues to increase, many of which have become sunk costs due to a lack of funding and professional resources. Although there are stimulative monetary policies, resolving local debt will still take a considerable amount of time, and local governments and platform companies remain cautious regarding long-term revenue businesses in cultural and tourism sectors.

BUSINESS REVIEW AND OUTLOOK

Lottery Business

Computer-generated ticket games (“CTG”)

CTG is the major type of lottery in China’s lottery industry. The Group’s subsidiaries, Guangzhou Lottinal Terminal Company Limited, Guangzhou Three Rings Yongxin Technology Company Limited and Beijing Bestinfo Cyber Technology Co., Ltd., focus on providing lottery organizations with core products and services such as CTG systems, lottery betting terminals, lottery scanners and readers to national lottery organizations, hence they are recognized by China’s Welfare Lottery and Sports Lottery. The lottery terminal equipment and sales management systems developed and produced by them are widely used in many provincial lottery organizations for both the Welfare Lottery and Sports Lottery. While providing technical services to lottery organizations, they have achieved the largest provincial scale and highest sales success case in the domestic Welfare Lottery Industry.

The Group’s computer-generated ticket business in the Welfare Lottery and Sports Lottery markets continues to grow. In the Welfare Lottery sector, the Group serves Guangdong Province, the largest province in Welfare Lottery sales, which reported sales of RMB11.9 billion from July to December 2024, maintaining its position as the top provincial market for Welfare Lottery in the country. The Welfare Lottery sales in Chongqing, which the Group serves, reached RMB2.194 billion during the same period. In the Sports Lottery sector, the Group continues to maintain an industry advantage, winning procurement projects for Sports Lottery terminals in provinces such as Guizhou, Guangxi, Shaanxi, Inner Mongolia, Henan, Sichuan, and Guangdong, and providing terminal maintenance services.

Overseas Business

In 2024, the world economy is slowly recovering from the recession caused by the COVID-19 pandemic. Technological innovation has added new momentum to the global economic transformation, and emerging markets and developing economies are showing strong vitality. However, the escalating geopolitical tensions have increased uncertainty in the global economy.

Asia remains an important engine for global economic growth. In the first three quarters of 2024, the average economic growth rate of the Philippines reached 5.8%, making it one of the fastest-growing economies in Asia. According to forecasts from the World Bank and the International Monetary Fund, the Philippines’ economic growth rate is expected to reach 6.1% in 2025, likely leading growth in the Southeast Asian region.

The Group adheres to the principle of “bold exploration and cautious implementation” and focuses on promoting business in the Philippine market. The Group collaborates closely with local partners in the Philippines, conducting in-depth market research on product forms and customizing two popular products. This approach aims to reduce users’ gaming investment costs while enhancing their gaming winning experience. Currently, the customized design and development of these two products have been completed and have passed verification testing by designated professional institutions. At the same time, local partners will collaborate with well-known local operating platforms to leverage established customer resources for rapid market promotion.

By the end of 2024, the Philippine government signed the “CREATE MORE” bill, which includes incentives such as tax reductions and increased foreign ownership limits that may drive domestic and foreign capital inflows, further institutionalizing improvements in corporate profitability. The project developed by the Group in the Philippines is expected to go live for sales in the first quarter of 2025. In a favorable macroeconomic environment, this project is anticipated to achieve good returns.

Smart Retail

In 2024, sports lottery organizations are actively exploring and promoting innovative, replicable, and market-potential “Sports Lottery +” projects, driving the optimization transformation and high-quality development of traditional sports lottery channels. This includes diversified development in business models, channel expansion, and service innovation. Welfare lottery organizations are exploring new developmental paths and showcasing a new image through the “Welfare Lottery +” model, focusing on marketing channels, promotional activities, product innovation and service innovation.

The Group is a pioneer in introducing the concept of new retail for lotteries within the industry. It continuously innovates in marketing channels and products, fully applying innovative technologies such as smart hardware, the Internet of Things, big data, blockchain, and artificial intelligence to the operations, management, and marketing of lottery sales channels. The Group provides comprehensive intelligent retail solutions, including various smart terminal products, as well as systems for smart store management, smart payment, smart marketing, and big data services, to fully support lottery organizations and sales outlets.

Video Lottery

Dongguan Tianyi Electronics Company Limited (“DGTY”), a subsidiary of the Group, was the exclusive equipment provider for the China Welfare Lottery Video Lottery – Welfare VLT, is an instant electronic video lottery issued by China Welfare Lottery which was suspended in July 2020.

DGTY and Beijing China Lottery Online Technology Company Limited (“CLO”) entered into a ten-year cooperative contract in 2005, pursuant to which DGTY would supply Welfare VLT terminal equipment to CLO and received commensurate remuneration for use. After the expiry of the mutual contract in 2015, CLO continued to conduct sales using the terminals of DGTY and generate ongoing revenue, but did not make any payment of remuneration for use to DGTY.

DGTY filed a civil lawsuit with the People’s High Court of Beijing in 2016, demanding the payment of remuneration for use by CLO for its continued use of DGTY terminals after the expiry of the contract. The People’s High Court ruled that CLO was required to pay RMB54,835,700 and accrued interests to DGTY. In view of the fact that CLO continued to conduct lottery sales and generate revenue by using terminals owned by DGTY during a period of more than five years after the expiry of the contract and provisions under pertinent laws and regulations, the Group might take further legal action to protect its legal rights and interests.

China's Ecotourism Business

Projects of Jiuyan Wangwu Shan and Wulongkou Scenic Areas in Jiuyan City

In the reporting period, the Group has assigned a team to work closely with Jiuyan City Cultural Tourism Investment Group Limited and performs its duty. The Group put strenuous efforts to facilitate the management improvement, service transformation and marketing innovation of the scenic areas, and had achieved remarkable results, which were fully affirmed by the partners.

Natural and Health Food Business

In the second half of 2024, the natural health food business is operating smoothly. In terms of products, the production line for packaged wheat protein powder is running normally, and more flavors are being developed to meet the diverse needs of customers. Yongzhengtang Honey has launched two new gift box products, and their exquisite and elegant packaging has been well received by customers.

In terms of platform, influenced by the overall economic environment, competition among traditional e-commerce platforms has become intense, with price wars becoming the norm. Consumers are placing greater emphasis on the practicality and cost-effectiveness of products when making purchases. While pursuing extreme discounts, they are also becoming more discerning and rational. At the same time, the impact of brand effects on the market is gradually diminishing, with consumers focusing more on the essence of products rather than brand premiums. This change has significantly reduced the effectiveness of traditional marketing methods, further exacerbating the slump in the consumer market.

In terms of channels, competition among e-commerce platforms is fierce, with shrinking traffic and increasing costs. The e-commerce sales landscape is shifting from platforms to communities, moving from public domains to private domains. From Pinduoduo to various community group-buying platforms, and to the discount areas launched by major e-commerce platforms, low-priced products have become the mainstream of consumption. Taobao has also introduced the "Taobao Factory" platform, primarily based on a factory-direct model, to adapt to the market changes brought about by consumption downgrading.

Against this backdrop, we have adapted to market changes by launching several factory-direct platforms such as "Taobao Factory" and "Aikucun". Leveraging the advantages of our own factories, we have timely integrated and optimized existing products, developing more offerings that meet market demand.

In 2025, we will continue to expand more private communities and distribution leaders to reduce marketing and traffic costs. At the same time, we will further develop more self-operated platform stores to better leverage the advantages of our own factories, aiming to create more performance and profits for the Group.

FUTURE OUTLOOK

Looking ahead to 2025, there will still be many global instability factors, such as rising protectionism, expanding global public debt, and the spillover effects of monetary policies in developed countries, which may present new challenges. The Central Economic Work Conference has called for the implementation of more proactive fiscal policies and moderately relaxed monetary policies in 2025, as well as deepening comprehensive reforms in capital market investment and financing. This will help boost investor confidence, accelerate technological innovation, promote the rapid implementation of artificial intelligence, and support the export of high-tech products, thereby aiding in economic recovery. The long-term positive fundamentals of our economy remain unchanged, but there is an urgent need to address the issues of “insufficient domestic demand and supply-demand imbalance” to achieve long-term stable economic growth. The World Bank predicts that China’s GDP will grow by around 4.5% in 2025.

In recent years, China’s lottery industry has shifted from a focus on “quantity” to “quality”, gathering new momentum for industry development, and lottery sales have been steadily increasing.

Thanks to the healthy development of China’s lottery industry, as well as the Group’s technological advantages and service experience in the lottery sector, our lottery business is steadily growing. We aim to seize more market opportunities in 2025 to continue maintaining our leading position in the industry. At the same time, the Group will further develop its overseas lottery business, providing innovative lottery products and services for emerging overseas markets.

The Group will keep pace with the times, be adept at learning, and be bold in innovation. We will continue to integrate resources to promote the development of China’s eco-tourism and natural health food businesses, nurturing new points of business growth and striving to deliver greater investment returns for our shareholders.

FINANCIAL REVIEW

During the six months period ended 31 December 2024 (the “first six months period”), the Group recorded a turnover of approximately HK\$98.4 million (2023: approximately HK\$47.5 million), representing an increase of approximately 107% over the same period of last year. Loss attributable to owners of the Company for the first six months period amounted to approximately HK\$67.7 million (2023: approximately HK\$71.6 million).

Liquidity, Financial Resources, Gearing Ratio and Capital Structure

The Group had outstanding bank and other borrowings as at 31 December 2024 of approximately HK\$NIL (at 30 June 2024: HK\$7.70 million). As at 31 December 2024, the Group has outstanding liabilities from financial guarantee at FVTPL arising from bank and other borrowings of approximately HK\$150.6 million (at 30 June 2024: HK\$84 million). During the year ended 30 June 2024, the Group failed to meet the repayment terms for the secured bank loan of HK\$162,200,000, leading to a default on its obligations. Subsequently, the bank initiated legal action by issuing a writ of summons in court seeking payment for all outstanding amounts owed and the surrender of the property used to secure the loan. In May 2024, the court ruled in favor of the bank upholding the claim and ordering the Group to settle all outstanding debts to the bank and surrender the property. The bank loan is thus considered settled and derecognized.

The default of the aforementioned bank loan has triggered a cross default clause on the secured loan from a finance company borrowed by Goldwide Limited (“Goldwide”) a subsidiary of the Company, which was considered disposed of during the year ended 30 June 2024. This loan was secured by (i) a second mortgage over the aforementioned property and (ii) a corporate guarantee from the Company. The Group has not repaid the outstanding principal and interest when it became due for repayment. Consequently, since the default of the secured bank loan and the loan from the finance company, the Group has recorded a liability due to the aforesaid corporate guarantee, the derivative financial liabilities at FVTPL of approximately HK\$84 million measured at fair value at 30 June 2024. On 14 January 2025, the aforesaid bank issued a statutory demand which indicated that the mortgaged property has been disposed of on 20 December 2024 and the bank recovered a net proceeds of HK\$130,822,178.87. Therefore, the liabilities from financial guarantee at FVTPL arising from bank and other borrowings had been remeasured at fair value of approximately HK\$150,600,000 due to the disposition.

On 7 April 2017, the Company had 7.5% convertible bonds due 2019 in the aggregate outstanding principal amount of HK\$175.95 million (the “New Option 1 Bonds”) constituted by a trust deed. The trust deed was later as supplemented and amended by a supplemental trust deed dated 28 March 2019, a second supplemental trust deed dated 4 November 2019, a third supplemental trust deed dated 28 April 2020, a fourth supplemental trust deed dated 3 May 2021, a fifth supplemental trust deed dated 3 November 2021 and a sixth supplemental trust deed dated 5 May 2022 (the “6th Supplemental Trust Deed”). On 5 May 2022, the Company and the holders of New Option 1 Bonds entered into the 6th Supplemental Trust Deed to further extend the maturity date from 7 November 2022 to 7 November 2023 and the principal amount outstanding of the New Option 1 Bonds was increased from HK\$113.6 million to HK\$154.2 million (including accrued interest up to (but excluding) 7 May 2022). 100% of New Option 1 Bonds was repayable in one lump sum on 7 November 2023 and bore interest at 7.0% per annum with effective from 5 May 2022.

The outstanding principal and accrued interest due and payable of New Option 1 Bonds on 7 November 2023 (the “Maturity Date”) was HK\$154,162,000 and HK\$5,440,376.98 respectively. The Company had not made any payment of the principal and interest on the New Option 1 Bonds within three business days after the Maturity Date, therefore on 10 November 2023 an event of default occurred. On 8 December 2023, the Company received statutory demand from the trustee of New Option 1 Bonds demanding payment amount of HK\$160,780,174.66. On 8 July 2024, the Company received a winding-up petition in relating to the outstanding principal of the New Option 1 Bonds in an aggregate amount of HK\$154,162,000 and the accrued interest of HK\$14,562,142.52. The winding up petition had been adjourned and finally was withdrawn on 13 November 2024. At 31 December 2024, the carrying amount of convertible bonds has been recognized as derivative financial liabilities at FVTPL of approximately 176.3 million (at 30 June 2024: HK\$168.8 million).

The Group’s total deficit amounted to approximately HK\$487.7 million at 31 December 2024 (at 30 June 2024: HK\$420.3 million). At 31 December 2024, net current liabilities of the Group amounted to approximately HK\$476 million (at 30 June 2024: HK\$408.0 million), including approximately HK\$67 million in cash and deposits with banks and financial institution (at 30 June 2024: HK\$48.1 million).

The gearing ratio (defined as total liabilities over total assets) of the Group at 31 December 2024 was approximately 519.5% (at 30 June 2024: 466.8%).

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.

Contingent Liabilities

At 31 December 2024, the Group did not have any material contingent liabilities (at 30 June 2024: Nil).

STAFF

As at 31 December 2024, the Group employed 185 staff (30 June 2024: 196). 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, mandatory 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 31 December 2024.

AUDIT COMMITTEE

The Audit Committee currently comprises the three Independent Non-Executive Directors of the Company, namely Dr. MENG Zhijun, Mr. DUAN Xinxiao and Mr. WANG Anyuan. The unaudited consolidated interim results of the Group for the six months ended 31 December 2024 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules (the “Code”) throughout the six months ended 31 December 2024, except for the deviations as disclosed below:

According to Code provision B.2.2, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The chairman of the Board (the “Chairman”) is not subject to retirement by rotation as the Board considers that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

According to Code provision C.2.1, the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. On 22 November 2024, Ms. ZHU Xinxin, an Executive Director, was appointed as the Chief Executive Officer of the Company (the “CEO”) whom is responsible to oversee the management of day-to-day operations of the Group. Since the resignation of former Chairman on 22 November 2024 and up to date of this announcement, the Company has not appointed the Chairman. The Board is looking for a suitable candidate to meet the needs of the effective management of the Board. The CEO and/or other executive Directors will take turns to assume the role of Chairman, ensuring that directors receive timely accurate, clear, complete, and reliable information until the appointment of the Chairman. The Board is reviewing the effectiveness of the structure to balance the power and authority of the Board and authority of the Board and the management from time to time.

REQUIRED STANDARD OF DEALINGS REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings regarding securities transactions by Directors set out in the Model Code as its code of conduct for dealings in securities of the Company by the Directors (the “Code of Conduct”). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Code of Conduct during the six months ended 31 December 2024.

On behalf of the Board
China Ecotourism Group Limited
ZHU Xinxin
Director and Chief Executive Officer

Hong Kong, 28 February 2025

As at the date of this announcement, the Board comprises Ms. ZHU Xinxin and Mr. DI Ling as Executive Directors; and Dr. MENG Zhijun, Mr. DUAN Xinxiao and Mr. WANG Anyuan as Independent Non-executive Directors.