



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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This announcement, for which the directors of China Eco-Farming Limited (the “Company”) (the “Director(s)”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Listed Company Information” page of the GEM website for at least 7 days from the date of its posting.

HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively, the “Group”) recorded an unaudited revenue of approximately HK\$8,818,000 for the three months ended 31 March 2022, representing an increase of approximately 1.4% as compared with approximately HK\$8,700,000 for the corresponding period in 2021.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2022 was approximately HK\$8,229,000 (three months ended 31 March 2021: HK\$5,121,000). The basic loss per share of the Company for the three months ended 31 March 2022 was HK7.77 cents (three months ended 31 March 2021: HK5.49 cents (restated)).

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2022.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2022 together with the comparative figures for the corresponding period in 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

| | NOTES | For the three months ended 31 March | |
|---|-------|--|------------------------------|
| | | 2022 \$'000 | 2021 \$'000 (Restated) |
| Revenue | 3 | | |
| Goods and services | | 8,771 | 8,628 |
| Rental | | – | – |
| Interest | | 47 | 72 |
| | | <u>8,818</u> | <u>8,700</u> |
| Cost of sales | | <u>(10,019)</u> | <u>(9,706)</u> |
| Gross loss | | (1,201) | (1,006) |
| Other revenue | 3 | 347 | 247 |
| Selling and distribution expenses | | (161) | (174) |
| Administrative expenses | | (5,014) | (7,532) |
| Share of result of associates | | 207 | 58 |
| Finance costs | 4 | (1,519) | (1,539) |
| (Loss)/gain from changes in fair value of financial asset at fair value through profit or loss | | <u>(1,457)</u> | <u>4,680</u> |
| Loss before taxation | | (8,798) | (5,266) |
| Taxation | 5 | <u>–</u> | <u>–</u> |
| Loss for the period | | <u>(8,798)</u> | <u>(5,266)</u> |

| | For the three months ended 31 March | |
|--|--|-----------------------|
| | 2022 | 2021 |
| <i>NOTES</i> | <i>\$'000</i> | <i>\$'000</i> |
| | | (Restated) |
| Other comprehensive income (expense): | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Fair value loss on investments in equity instruments at fair value through other comprehensive income | – | – |
| Exchange differences arising on translation of foreign operation | <u>(183)</u> | <u>480</u> |
| Other comprehensive (expense)/income for the period | (183) | 480 |
| Total comprehensive expense for the period | <u><u>(8,981)</u></u> | <u><u>(4,786)</u></u> |
| (Loss)/gain for the period attributable to: | | |
| Owners of the Company | (8,229) | (5,121) |
| Non-controlling interests | <u>(569)</u> | <u>(145)</u> |
| | <u><u>(8,798)</u></u> | <u><u>(5,266)</u></u> |
| Total comprehensive income/(expense) for the period attributable to: | | |
| Owners of the Company | (8,471) | (4,628) |
| Non-controlling interests | <u>(510)</u> | <u>(158)</u> |
| | <u><u>(8,981)</u></u> | <u><u>(4,786)</u></u> |
| | | (Restated) |
| Loss per share | 7 | |
| Basic and diluted (<i>HK cents</i>) | <u><u>(7.77)</u></u> | <u><u>(5.49)</u></u> |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2022 (Expressed in Hong Kong dollars)

| | Attributable to owners of the Company | | | | | | | | | | Non-controlling interests | Total |
|--|---------------------------------------|---------------|---------------------|--------------------------------|----------------------|---------------------|-----------------|----------------|--------------------|----------------|---------------------------|----------------|
| | Share capital | Share premium | Contributed surplus | Investment revaluation reserve | Share option reserve | Translation reserve | Special reserve | Other reserve | Accumulated losses | Total | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2021 | 9,325 | 6,909 | 650,298 | (31,152) | 1,800 | (3,865) | 6,026 | (1,766) | (499,000) | 138,575 | 36,560 | 175,135 |
| (Loss)/profit for the period | - | - | - | - | - | - | - | - | (5,121) | (5,121) | (145) | (5,266) |
| Other comprehensive income (expense) for the period: | | | | | | | | | | | | |
| Fair value change of equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange difference arising on translating foreign operations | - | - | - | - | - | 493 | - | - | - | 493 | (13) | 480 |
| Other comprehensive (expense)/income for the period | - | - | - | - | - | 493 | - | - | - | 493 | (13) | 480 |
| Total comprehensive (expense)/income for the period | - | - | - | - | - | 493 | - | - | (5,121) | (4,628) | (158) | (4,786) |
| At 31 March 2021 | 9,325 | 6,909 | 650,298 | (31,152) | 1,800 | (3,372) | 6,026 | (1,766) | (504,121) | 133,947 | 36,402 | 170,349 |
| At 1 January 2022 | 1,060 | - | 650,298 | (31,964) | 1,800 | (1,602) | 6,026 | (6,321) | (531,023) | 88,274 | 40,906 | 129,180 |
| (Loss)/profit for the period | - | - | - | - | - | - | - | - | (8,229) | (8,229) | (569) | (8,798) |
| Other comprehensive income (expense) for the period: | | | | | | | | | | | | |
| Fair value change of equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | - | - | - | - | - | - |
| Exchange difference arising on translating foreign operations | - | - | - | - | - | (242) | - | - | - | (242) | 59 | (183) |
| Other comprehensive (expense)/income for the period | - | - | - | - | - | (242) | - | - | - | (242) | 59 | (183) |
| Total comprehensive (expense)/income for the period | - | - | - | - | - | (242) | - | - | (8,229) | (8,471) | (510) | (8,981) |
| At 31 March 2022 | 1,060 | - | 650,298 | (31,964) | 1,800 | (1,844) | 6,026 | (6,321) | (539,252) | 79,803 | 40,396 | 120,199 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operation

China Eco-Farming Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 November 2000.

The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited since 5 February 2002.

During the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The addresses of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is 20/F, Wanchai Central Building, 89 Lockhart Road, Wanchai, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

During the three months ended 31 March 2022, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of property investment, one-stop value chain services, trading of consumable and agricultural products, trading of grocery food products, provisions of money lending services and provision of financial services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. Other than those subsidiaries established in the People’s Republic of China (the “PRC”) and incorporated in Taiwan whose functional currencies are Renminbi (“RMB”) and New Taiwan dollars (“NTD”) respectively, the functional currency of the Company and its subsidiaries is HK\$.

2. Principal accounting policies and basis of preparation

The unaudited condensed financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed financial results have been prepared on the historical cost basis except for the investment properties, certain financial instruments and available-for-sale investments that are measured at fair values.

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the three months ended 31 March 2022 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2021 except for the following amendments and interpretation (“New HKFRSs”) issued by HKICPA which are or shall be in effect.

| | |
|--|---|
| HKFRS 17 | Insurance Contracts and the related Amendments ³ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ² |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴ |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³ |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ³ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ³ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³ |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use ² |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ² |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 ² |

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the period is as follows:

| | For the three months ended 31 March | |
|---|--|--|
| | 2022 <i>HK\$'000</i> (Unaudited) | 2021 <i>HK\$'000</i> (Unaudited) |
| Revenue: | | |
| Trading of grocery food products | 3,052 | 2,131 |
| Trading of consumables and agricultural products | 4,475 | 5,356 |
| Rental income | – | – |
| Provision of money lending services (<i>note (i)</i>) | 47 | 72 |
| One-stop value chain services | 1,244 | 1,141 |
| Provision of financial services | – | – |
| | <u>8,818</u> | <u>8,700</u> |
| Other revenue (<i>note (ii)</i>) | <u>347</u> | <u>247</u> |
| | <u>9,165</u> | <u>8,947</u> |

Note:

(i) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$47,000 for the three months ended 31 March 2022 (three months ended 31 March 2021: HK\$47,000), charged to Mr. Au Yeung Po Leung (“Mr. Au Yeung”), an executive director of the Company and resigned on 30 September 2017, for aggregate loan amount of HK\$2,400,000 extended in December 2021. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares.

(ii) *Other revenue*

| | For the three months ended 31 March | |
|---|--|-------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loan interest income on other receivables | 242 | 125 |
| Loan interest income on loans to associates (<i>note (iii)</i>) | 88 | 88 |
| Sundry income | 17 | 34 |
| | <u>347</u> | <u>247</u> |

(iii) *Loan interest income on loans to associates*

Included in interest income are approximately HK\$88,000 for the three months ended 31 March 2022 (three months ended 31 March 2021: HK\$88,000), on the loan amount of approximately HK\$2,842,000 granted to Beijing HX on 1 September 2016. The loan was interest-bearing with interest rate of 12% per annum, unsecured and repayable by 31 May 2017. Beijing HX is treated as associate in the consolidated financial statements of the Company.

4. **Finance costs**

| | For the three months ended 31 March | |
|--|--|--------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on borrowings (<i>note (i)</i>) | 740 | 740 |
| Reimbursement of finance costs borne by lenders | 424 | 415 |
| Interest on margin loans payables | 152 | 150 |
| Interest on balancing payment for the acquisition of further interest in subsidiaries | 192 | 212 |
| Interest on lease liabilities | 11 | 22 |
| | <u>1,519</u> | <u>1,539</u> |

Note:

(i) Interest on loans payable

Included in interest on loans payable were interest expenses of approximately HK\$10,000 for the three months ended 31 March 2022, payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$400,000 granted in December 2021. The loan was interest-bearing with interest rate of 10% per annum.

5. Taxation

| | For the three months ended 31 March | |
|--|--|--------------------|
| | 2022 | 2021 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Current tax | – | – |
| Deferred tax | – | – |
| | <hr/> | <hr/> |
| Income tax credit recognised in profit or loss | – | – |
| | <hr/> <hr/> | <hr/> <hr/> |

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. No EIT is provided for the three months ended 31 March 2022 and 2021 as the Group did not derive any assessable profit subject to EIT.

The Taiwan Profit-Seeking Enterprise Income Tax is calculated at 17% of the estimated assessable profits for both years. No Profit-Seeking Enterprise Income Tax is provided for the three months ended 31 March 2022 and 2021 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

6. Dividend

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2022 (three months ended 31 March 2021: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2022 and 2021 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$8,229,000 (2021: HK\$5,121,000) and the weighted average of 105,955,243 (2021: 93,255,243 (restated)) ordinary shares of HK\$0.01 (2021: HK\$0.01) each in issue during the three months ended 31 March 2022 and 31 March 2021.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2022 and 31 March 2021. The computation of diluted loss per share does not assume the exercise of Company's outstanding share options to subscribe for additional shares since their exercise would result in an anti-dilutive effect on the basic loss per share.

8. Comparative figures

Cost of good sold from trading of consumables and agricultural products were previously included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income. To conform to current years' presentation, the above amount for the period ended 31 March 2021 have been included in cost of sales in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation.

9. Events after the reporting period

- (a) On 14 February 2022 and 14 March 2022, Skyline Top and the Purchaser entered into a supplemental agreements, pursuant to which the deadline of the completion of the Disposal has been further extended to 14 April 2022. The Disposal has been completed on 22 April 2022.

The detail of the variation to terms was disclosed in the announcements of the Company dated 14 February 2022 and 14 March 2022, respectively.

- (b) Subsequent to 31 December 2021, the Group proposed to raise up to approximately HK\$8,476,000 before expenses, by way of rights issue by issuing up to 52,977,621 rights shares at the subscription price of HK\$0.16 per rights share on the basis of one rights share for every two existing shares on the record date. The detail of the rights issue was disclosed in the prospectus of the Company dated 25 April 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the three months ended 31 March 2022 (the “Reporting Period”), the Group has been principally engaged in the business of property investment, one-stop value chain services, trading of consumable and agricultural products, trading of grocery food products, provision of money lending services and provision of financial services.

Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$Nil (three months ended 31 March 2021: HK\$Nil). At 31 March 2022, the Group held properties in the People’s Republic of China (PRC) and Hong Kong for investment purpose amounted to approximately HK\$16,869,000 (31 December 2021: HK\$16,869,000).

One-stop Value Chain Services

During the Reporting Period, the one-stop value chain services segment reported a revenue of approximately HK\$1,244,000 (three months ended 31 March 2021: HK\$1,141,000), representing an increase of approximately 9.0%, as compared to the last year.

In order to improve the performance of this business, during the financial year 2020, the team of this business segment put a lot of efforts and resources to find new customers. However, due to the outbreak of COVID-19 pandemic, many companies have cut their budget on information technology (IT) related services.

Facing this predicament, the Directors started to search for new business opportunities. They seize the opportunity and diversify the One-Stop Value Chain Services Business into the gaming industry to sell gaming related products during the second half year of 2020.

Trading of Consumables and Agricultural Products

During the Reporting Period, this business segment reported a revenue of approximately HK\$4,475,000 (three months ended 31 March 2021: HK\$5,356,000), representing a decrease of approximately 16.4%, as compared to the last year. This business segment is mainly composed of re-usable bags trading business, bulk commodities trading in resin plastics (ABS) and polyethylene (PE) and recycle of used plastic products. After engaging the re-usable bags trading business, the Group gain more understanding about the raw materials of re-usable bags and regard that the business opportunities in the plastic recycling industry of turning the used plastic products into functional recyclables would produce synergy effect to the re-usable bags trading business. It will also broaden the income stream of the Group and enhance the social responsibility of the Group. Therefore, the Group has stepped into the recycle of used plastic products in this first quarter of 2021. Certain revenue was generated but due to relatively high factory overhead in the startup stage, this part of the business is yet to provide a positive margin. The Directors believe that there will be gradual improvement on the performance of this segment.

Trading of Grocery Food Products

During the Reporting Period, the segment reported a revenue of approximately HK\$3,052,000 (three months ended 31 March 2021: HK\$2,131,000), representing an increase of approximately 43.2% as compared with the last corresponding period.

In the trading of grocery food products segment, the Group is the sole and exclusive distributor for the sale and distribution of ramen and udon products under the brand of “Nittin” (日丁) in Hong Kong, Macau and Taiwan. However, the trademark licence agreement and the sole distributorship agreement for ramen and udon have expired in February 2022 and the parties are discussing the future direction of this cooperation.

The Group has been devoting more resources to improve the performance of this segment, and it is from time to time looking for suitable opportunities to expand the variety of products and client base in this industry. The lockdown measures caused by the outbreak of COVID-19 pandemic makes frozen foods became popular. Therefore, the Directors decided to grip this chance to expand the product mix in this segment and entered into the frozen food industry. Starting from the second half year of 2020, after careful analysis on current market situation and environment, the Group introduced new products including imported frozen seafood. The Group obtained authorised distributor certificates for distribution of frozen seafood such as king crab, shrimp, lobster, fish, crab, and surimi stick. The frozen seafood products are from the production bases of all around the world including but not limited to Thailand, Vietnam and Norway. Also, the Group has sourced more dairy products such as bread and pastry so as to diversify its grocery food portfolio. To further enhance the business, apart from sale of grocery food products in supermarkets, the Group has made more use of online platform and social media. In the second half year of 2020, the Group started online sales through social media and launched its online sales platform on HKTVmall operated by the Hong Kong Television Network Limited (stock code: 1137) to promote the products and directly reach out more potential customers. It helps the Group to further diversify the customers base and save the intermediate sales cost.

Provision of money lending services

During the Reporting Period, the Group's money lending services segment reported a revenue of approximately HK\$47,000 (three months ended 31 March 2021: HK\$72,000), representing a decrease of approximately 34.7% as compared with the last corresponding period. The Group has put its effort in maintaining, developing and expanding its money lending business. The Group's money lending business is operating by its wholly-owned subsidiary, China AF Finance Limited ("China AF Finance").

The total outstanding principal amount of loan receivables as at 31 March 2022 was HK\$8.33 million bearing interest at the rate ranging from 8% to 36%, maturing from one month to one year, with unlisted shares as collaterals.

There are only 3 borrowers. The outstanding principal amount of the largest borrower is HK\$4.79 million which account for approximately 55% of the total loan receivables. All the loans have expired and China AF Finance has instituted legal actions against two borrowers to recover the outstandings.

Due to unfavorable market conditions, no income was generated from consultancy services. The license of China AF Asset Management Limited was suspended due to insufficient responsible officer.

Securities investments

The Group had equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss in aggregate of approximately HK\$13,936,000 as at 31 March 2022, representing approximately 6.07% of the Company's total assets (31 December 2021: approximately HK\$16,041,000, representing approximately 6.72% of the Company's total assets).

The Company's investment strategy is to invest in securities that have growth potential, with the aims to capture capital appreciation and diversify the Company's investment portfolio (as detailed below) in order to reduce concentration of investment risks in one industry and maximise value for the Shareholders. The composition of the investment portfolio may change from time to time during the coming year. In order to mitigate the possible financial risks related to the equities, the investment portfolio will be monitored regularly and appropriate actions would be taken whenever necessary in a prudent manner in response to changes in market situation. Below is additional information in relation to the significant investments with market value exceeding HK\$10,000,000 as at 31 March 2022 and 31 December 2021:

For the three months ended 31 March 2022 and year ended 31 December 2021

| Name of investee company | Investment cost | | Number of shares held | | % of shareholding | | Market value | | % of market value to the Group's total assets | | Change in fair value | | Dividends received | |
|--|-------------------------------|------------------------|-----------------------|------------------------|----------------------|------------------------|-------------------------------|------------------------|---|------------------------|-------------------------------|------------------------|-------------------------------|------------------------|
| | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 | As at 31 March 2022 | As at 31 December 2021 |
| | <i>Approximately HK\$'000</i> | | | | <i>Approximately</i> | | <i>Approximately HK\$'000</i> | | <i>Approximately</i> | | <i>Approximately HK\$'000</i> | | <i>Approximately HK\$'000</i> | |
| Financial assets at fair value through profit or loss | | | | | | | | | | | | | | |
| Others (Note 1) | 8,132 | 5,761 | N/A | N/A | N/A | N/A | 6,675 | 8,780 | 2.91% | 3.68% | (1,457) | 3,019 | - | - |
| | 8,132 | 5,761 | | | | | 6,675 | 8,780 | 2.91% | 3.68% | (1,457) | 3,019 | - | - |
| Equity instruments at fair value through other comprehensive income | | | | | | | | | | | | | | |
| Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) (Note 2) | 7,261 | 7,871 | 11,250,000 | 11,250,000 | 4.99% | 4.99% | 7,261 | 7,261 | 3.16% | 3.04% | - | (610) | - | - |
| | 7,261 | 7,871 | | | | | 7,261 | 7,261 | 3.16% | 3.04% | - | (610) | - | - |
| Total | 15,393 | 13,632 | | | | | 13,936 | 16,041 | 6.07% | 6.72% | (1,457) | 2,409 | - | - |

Notes:

- These are all listed companies on the Stock Exchange for the year ended 31 March 2022, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of loan financing services, the provision of auction of alcoholic beverages business, provision of QR codes on product packaging and solutions and online advertising display services, the manufacture and sale of packaging products, investments and trading in securities, money lending, properties investments, securities trading, trading business and dealing in, advising on securities and asset management, futures and options broking, EPC and consultancy operations, financing and solar power generation, provision of secured financing services and microfinance services, shipping and logistics, design manufacture, supply and installation of passenger vehicle leather upholstery, supply, installation of vehicle electronic accessories, sale of refined oil and natural gas by operating refuelling stations and storage facilities, and the provision of transportation of petroleum and natural gas services.
- Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司), a company listed on Shanghai Equity Exchange in the PRC until 28 February 2018, which is principally engaged in development of tourism resources business. For details, please refer to the announcements of the Company dated 19 July 2016 and 31 August 2016.

* For identification purposes only

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$8,818,000 (three months ended 31 March 2021: approximately HK\$8,700,000), representing an increase of approximately 1.4% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$10,019,000 (three months ended 31 March 2021: approximately HK\$9,706,000 (restated)), representing an increase of approximately 3.2% as compared with the last corresponding period. The increase of cost of sales was mainly due to the increase in factory overheads in the recycle of used plastic products.

Administrative expenses for the Reporting Period amounted to approximately HK\$5,014,000 (three months ended 31 March 2021: approximately HK\$7,532,000 (restated)), representing a decrease of approximately 33.4% as compared with the last corresponding period. This decrease was mainly due to the decrease in staff salaries and consultancy fees.

Finance costs for the Reporting Period was approximately HK\$1,519,000 (three months ended 31 March 2021: approximately HK\$1,539,000), representing a decrease of approximately 1.3% as compared with the last corresponding period.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$8,229,000 (three months ended 31 March 2021: approximately HK\$5,121,000). The basic loss per share of the Company for the Reporting Period was HK7.77 cents (three months ended 31 March 2021: HK5.49 cents (restated)).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 31 March 2022, the cash and cash equivalents of the Group was approximately HK\$1,174,000 (31 December 2021: approximately HK\$2,850,000).

At 31 March 2022, the net assets of the Group was approximately HK\$120,199,000 (31 December 2021: approximately HK\$129,180,000) and the net current liabilities was approximately HK\$43,893,000 (31 December 2021: the net current liabilities approximately HK\$34,643,000).

Capital Structure

As at 31 March 2022, the Company's issued ordinary share capital was HK\$1,059,552.43 divided into 105,955,243 ordinary shares of HK\$0.01 each ("Share(s)") (31 December 2021: HK\$1,059,552.43 divided into 105,955,243 ordinary shares of HK\$0.01 each ("Share(s)").

Fund Raising Activities

The Group has not conducted any fund raising activities for the period ended 31 March 2022 but has placed new shares during the financial year ended 31 December 2021.

Significant Investments, Acquisitions and Disposal

Placing of new shares

On 2 September 2021, the Company entered into the placing agreement with a placing agent. It is proposed that the placing agent would propose to offer for subscription of 186,500,000 placing shares at the placing price of HK\$0.034 per placing share. A total of 127,000,000 Placing Shares have been successfully placed and the net proceeds raised after deducting the placing commission and other relevant expenses were approximately HK\$4.1 million. Further details of the placing are set out in the announcements of the Company dated 2 September 2021 and 28 September 2021.

The net proceeds from placing were used as follows:

| Period under review | Purpose of usage | Total planned amount to be used <i>HK\$ million</i> | Aggregate amount used up to and including 31 December 2021 <i>HK\$ million</i> | Remaining balance of placing proceeds as the last date of the period under review <i>HK\$ million</i> |
|--|--|--|---|--|
| Since completion of placing on 28 September 2021 up to and including 31 December 2021 | Settlement of outstanding liabilities | 2.0 | 2.0 | 0.0 |
| | General working capital | 2.1 | 2.1 | 0.0 |

Significant Investments, Acquisitions and Disposal of Investment Properties

Acquisition of interest in certain properties in Shenzhen, the PRC by additional acquisition of further equity interests a subsidiary

On 17 July 2017, Yardley Wealth Management Limited (“YWML”) and Skyline Top Limited (“STL”), a wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) pursuant to which the YWML has agreed to sell and the STL has agreed to purchase the sale shares (the “Sale Shares”), representing 50% of the issued share capital of Delightful Hope Limited (the “Target Company”) for cash consideration of HK\$55,000,000. The Target Company is a non-wholly owned subsidiary of the Company and is owned as to 50% by each of YWML and STL. Following completion, the Target Company will be wholly owned by the STL and will become an indirect wholly-owned subsidiary of the Company.

The principal assets of the Target Company consist of properties comprise 8 commercial units of a total gross floor area of approximately 1,690 sq.m. in Shenzhen City, Guangdong Province, the PRC, and a residential house in Shenzhen City, Guangdong Province, the PRC of a total gross floor area of approximately 315.23 sq.m. According to the audited consolidated account of the Target Company, the book value of the properties was approximately HK\$110,236,000 as at 31 December 2016.

The consideration payable by the STL to the YWML for the Sale Shares is HK\$55,000,000 and shall be satisfied by the STL’s payment in cash to the YWML or its nominee in the following manner: (a) as to the part payment in the sum of HK\$20,000,000, within 14 days after the date of the Agreement; (b) as to the balance of HK\$35,000,000, upon completion.

On 31 July 2017, a supplemental agreement was entered into between the parties that the part payment in the sum of HK\$20,000,000 shall be paid on or before 28 August 2017 or such later date as the parties may agree in writing. HK\$20,000,000 of the above payment has been paid.

On 17 January 2018, the parties had entered into a second supplemental agreement whereas the timing of payment of the balance of HK\$35,000,000 was extended from 17 January 2018 to 17 January 2019. On 19 March 2019, the parties had entered into a third supplemental agreement whereas the Long Stop Date has been extended from 17 January 2019 to 31 March 2020 and further extended to 30 September 2020, and payment of the remaining balance shall be paid by one or several instalments on or before the Date of Completion. As at the date of this announcement, the amount of HK\$10,760,237 remained outstanding.

Disposal of subsidiaries

On 30 December 2021, Skyline Top Limited (“Skyline”) as vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which Skyline has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from Skyline, the Sale Shares, representing the entire issued share capital of the Konson Global Investments Limited, a company wholly-owned by Skyline, at the Consideration of HK\$8,000,000.

Please refer to the announcements of the Company dated 30 December 2021, 14 February 2022 and 14 March 2022 for details.

On 31 December 2021, All Ready Holdings Limited (“All Ready”) as vendor, a wholly-owned subsidiary of the Company, entered into agreements with the purchaser, pursuant to which All Ready has agreed to sell to the purchaser, and the purchaser has agreed to purchase from All Ready the entire issued share capital of Ease Chance Investments Limited and Sky Success International Investment Limited, both companies were wholly-owned by All Ready, at the Consideration of HK\$1 for each company respectively. The disposals were completed on 31 December 2021.

Litigation

Shenzhen Shengshi Fuqiang Technology Company Limited (Shengshi Fuqiang), a non-wholly owned subsidiary of the Company, has received a claim for lost of assets at the sum of approximately RMB1,964,000. The Plaintiff commenced civil proceedings against Shengshi Fuqiang and filed a statement that they cannot retrieve the furniture and equipment from the premises owned by Shengshi Fuqiang and was leased to the Plaintiff, and therefore Shengshi Fuqiang should compensate for the Plaintiff’s lost. Shengshi Fuqiang has made a counter-claim against the Plaintiff for outstanding rent and delay in deliver vacant possession at the sum of approximately RMB980,000. The case was first heard in Court on 26 February 2021. After second court hearing, according to the written judgement of the court, the Plaintiff will be responsible to pay to Shengshi Fuqiang an amount of RMB594,000 for claims and legal expense and Shengshi Fuqiang will be responsible to pay to the Plaintiff an amount of RMB594,000 for damages and valuation fee. The Plaintiff has made an appeal and Shengshi Fuqiang is currently seeking legal advice for the appeal.

Charges on Group's Assets

As at 31 March 2022, the listed equity investments listed in Hong Kong with the fair value of approximately HK\$5,289,000 (31 December 2021: HK\$5,922,000) have been pledged to financial institutions to secure the margin loans payables of approximately HK\$6,233,000 (31 December 2021: HK\$6,090,000) and term loans of HK\$6,900,000 (31 December 2021: HK\$6,900,000).

Further, the investment property located in Hong Kong with the fair value of approximately HK\$9,730,000 (31 December 2021: HK\$9,730,000) has been pledged to a financial institution in Hong Kong to secure a term loan of HK\$9,000,000 (31 December 2021: HK\$9,000,000). The investment properties located in PRC with the fair value of approximately HK\$7,139,000 (31 December 2021: HK\$7,139,000) have been pledged to a PRC company to secure a 3-year loan of RMB13,000,000 granted to an associate of the Group.

Unlisted investment which are classified as equity instruments at fair value through other comprehensive income were pledged to a PRC company as to secure a 3-year loan of RMB4,550,000 granted to a private company.

Contingent Liabilities and Guarantee

As at 31 March 2022, the Group has provided financial guarantee to Gold Wide Holdings Limited, which is classified as an interest in associate in the financial statements of the Group, for a term loan with a principal amount of RMB13,000,000, bearing interest of 8% per annum for a period of three years up to 14 January 2022. (31 December 2021: RMB13,000,000). Since the term loan has not been repaid, the financial guarantee shall continue in force.

Capital Commitments

As at 31 March 2022, the Group had capital commitment amounting to approximately HK\$47,892,000 (31 December 2021: HK\$47,628,000).

Exposure to Fluctuation in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi or United State Dollars or Australian Dollars or New Taiwan dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or any other alternatives have been implemented.

OUTLOOK AND PROSPECTS

Looking ahead, apart from social unrest at some parts of the world, the global economic activities will continue being affected by the COVID-19 pandemic for some time. However, as more COVID-19 vaccines and medicines to treat the disease are being developed and people are getting vaccinated, local economy is expected to recover slowly as business activities pick up. The Group will continue allocating its resources carefully in different segments as to optimize its investment returns.

One-stop value chain services

The economy of Hong Kong has been hit hard by the COVID-19 pandemic during the start of 2020 until now. Financial performances of many companies have been affected and they have minimised their budget on IT related services.

Other than the one-stop value chain services in relation to IT, the Management has diversified into the gaming industry, so as to sustain its business during this tough atmosphere in Hong Kong. The entering into of the gaming industry was originally the temporary thought of the Company. However, the Directors noticed that this industry is indeed a profitable industry even during this difficult period. The Company will develop further in the gaming industry in the future and may devote more resources in developing gaming related products. Overall, the Directors believe that after the recovery of COVID-19 pandemic, the economy of Hong Kong is expected to turnaround, and performance of this business will be improved.

Property investment

The Group originally has few property investments in Hong Kong and the PRC. The Group is cautious of the tension between USA and China, as well as the pessimistic global atmosphere. The Group will carefully monitor its property investments portfolio.

Trading of consumables and agricultural products

The Directors considered the Consumables Trading Business demonstrates a steady growth in the past years and is optimistic about its future contribution to the Group in terms of revenue and profit.

The experience of taking part in the bulk commodities trading business in resin plastics (ABS) and polyethylene (PE) has led the Group into the recycle business of used plastic products. Plant and equipment were leased for this development, and management is looking forward to the potential growth in this business.

Also, the Group believes that there is a trend of increasing consciousness and desire for environmentally friendly products. The Group will use its best endeavours to develop opportunities to work with other private companies and non-governmental organisations for recycling and mitigate the pollution problems brought by the plastic wastes.

Although there is economic downturn due to COVID-19 pandemic and this business segment was affected, the management still strived its best to develop and maintain the business. By providing value-added customisation services to the products, it is believed that the sale of re-usable bags is able to maintain a steady growth.

Trading of grocery food products

Demand for frozen or fresh fish, livestock and poultry has increased the most in 2020 and continued in 2021 no matter for non-supermarket shops or supermarkets. The Directors believed that this was due to the outbreak of COVID-19 pandemic which most people prefer to stay at home to prevent infection. Apart from udon and ramen, the Directors decided to widen its food products portfolio in the second half year of 2020 to cater the needs of the market and introduced different varieties of frozen seafood.

As the fifth wave of COVID-19 pandemic is sweeping Hong Kong, the Directors believed that people's consciousness on health will remain for a period of time, such that demand for frozen or fresh fish, livestock and poultry will remain stable. Even after the pandemic is totally under control, it is believed that the demand will not decrease significantly, as they still share a big proportion among all goods in non-supermarket shops or supermarkets. Therefore, the Directors will from time to time source more varieties of frozen seafood to expand market share in the frozen food sector. Also, the Directors will source more dairy products such as bread and pastry to diversify the risk the Group's food product portfolio.

The Group will also put more use of online platform and social media to enhance the business. The Directors target to explore the foreign grocery food market. They will discover more online platforms in other countries so as to broaden its customer base to all over the world.

The Directors will continue their discussion with food importers and brand owners for distributing certain brands of food and beverage. It is expected that more food and beverage will be launched in supermarkets and online sales platform of the Group.

With the experienced procurement and sales team of the Group, the Group is optimistic that the Grocery Food Trading Business, no matter online or offline, will progressively pick up in the future and revenue of this business will be improved after introducing more varieties of food products and broadening of customer base.

Provision of money lending services

Under the current economy environment, the Directors believe that there will be increase demand of money lending of individuals or corporate customers. However, at the same time, risk of default may increase as it may be hard for the customers to repay the loan at this difficult time. The management will further enhance the loan approval procedures and carefully filter and screen out customers with high risks in order to protect the interest of the Group. The Directors are more cautions in the development of the money lending business. The Group will continue to maintain sound credit control policy to balance the finance income against credit risk from respective borrowers.

Provision of financial services

The performance of the financial services business was not satisfactory. In addition to the global economic downturn and uncertainty of the Hong Kong economy brought by the fifth wave of COVID-19 pandemic, the geographical threats deteriorated as war broke out between Russia and Ukraine. Further to the United State sanctions imposed to Hong Kong on August 2020 and the tension between United State and China, Hong Kong financial institutions face the unknown threats that might harm the Hong Kong economy.

In view of the abovementioned, the Directors considered the financial service industry is unfavourable in the long-term and decided to scale down the financial services business. The Group will, depending on the market conditions, reallocate its resources from the financial services to develop other businesses that the Group expected to have a brighter prospect.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 May 2011 (the “Share Option Scheme”) which was for a period of 10 years lapsed on 5 May 2021. During the Reporting Period, no share options was granted under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the Reporting Period.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the following deviation from 1 January 2022 to 13 February 2022:

Provision A.2.1 of the CG Code prescribed, among others, the roles of chairman of the Board and chief executive of the Company should be separate and should not be performed by the same individual. During 1 January 2022 to 13 February 2022, the Company did not appoint a chairman of the Board. However, on 14 February 2022, the Company has appointed a chairman of the Board and a chief executive officer and was complied the applicable code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code”). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company’s listed securities.

AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 31 July 2001 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Ms. Yuen Wai Man (Chairman), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2022 have been reviewed by the members of the Audit Committee.

By Order of the Board
China Eco-Farming Limited
Liu Chun Fai
Chairman & Executive Director

Hong Kong, 13 May 2022

As at the date of this announcement, the executive Directors are Mr. Liu Chun Fai (Chairman), Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.