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(Continued into Bermuda with limited liability)

(Stock Code: 8166)

SUPPLEMENTAL ANNOUNCEMENT DECISION OF THE STOCK EXCHANGE ON GEM RULE 17.26

Reference is made to the announcement of the Company dated 9 December 2022 (the “**Announcement**”) in relation to, among other matters, a letter (the “**Letter**”) from the Stock Exchange notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares and that trading in the Company’s shares will be suspended on 21 December 2022 under Rule 9.04(3) of the GEM Listing Rules (the “**Decision**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Company would like to provide supplemental information in respect of the factors considered by the Stock Exchange in arriving the Decision as set out in the Letter, which are as follows:

ON OPERATION

The Company operates the One-stop Value Chain Business, the Food Trading Business and the Consumables Trading Business, and each of these businesses are not demonstrated to be viable and sustainable. The One-stop Value Chain Business has deteriorated significantly and operated at a minimal scale since 2019. While the Company sought to develop the Food Trading Business and the Consumables Trading Business, each business only made shortlived improvement in 2020. The Company’s submitted business plans for the two businesses did not materialise and their operating scale are currently minimal (or has been terminated due to financial difficulty). Since at least 2015, the Company has recorded net loss and net operating outflow each year.

For the following reasons, the Stock Exchange does not consider that any of the Company’s businesses are of substance, viable and sustainable.

(I) One-stop Value Chain Business and Other Businesses

The One-stop Value Chain Business, being the Company's core business since 2008, has maintained a minimal level of operation. For 2019 (before the COVID-19 pandemic), it generated minimal revenue of HK\$7 million. Since then, its revenue remained minimal which, in itself or together with the Company's other businesses, was insufficient to cover the Company's corporate expense. The downturn did not appear to be temporary. The Company did not appear to have a viable business model or a concrete and credible plan to operate and develop the business to ensure its viability and sustainability.

(II) Food Trading Business

Since 2018, the Food Trading Business has been carrying out a minimal level of operations. Despite a short-lived improvement in 2020, the scale of operation has remained small and recorded minimal revenues of HK\$16 million for 2021 and HK\$4 million for 3Q2022. A business operation of this scale is not considered to be viable and sustainable.

The Food Trading Business has relied wholly or substantially on the distribution of ramen and udon products under the "Nittin" brand and the sale of frozen food products. However,

- (a) For the distribution of ramen and udon products, the Company failed to renew the sole distributorship agreement after its expiry in February 2022. The Company appears to have ceased the operation.
- (b) For the sale of frozen food products, it has a limited operating history starting in 2020 and has since maintained a minimal level of operation. The business is not demonstrated to have an established business model, a concrete business plan or demonstrable competitive advantages in procuring customer orders or developing a customer base that supports the viability and sustainability of the business. Nor has the Company provided a credible profit forecast to demonstrate the prospect of the Food Trading Business going forward.

In these circumstances, the Stock Exchange does not consider that the Food Trading Business is a business which is of substance, viable and sustainable.

(III) Consumables Trading Business

Since 2016, the Consumables Trading Business has also been carrying out a minimal level of operations and incurring segment losses. Again, despite a short-lived improvement in 2020, the business incurred a gross loss in 2021. In 3Q2022, the business recorded revenue of HK\$12 million only. A business operation of this scale is not considered to be viable and sustainable.

The Consumables Trading Business has relied wholly or substantially on the sale of reusable bags, recycle plastics, and masks. However, none of them is considered to be a business of substance, viable and sustainable, having regard that:

- (a) For the sale of reusable bags, for 2022, it relies only on two purchase orders placed by Hong Kong Post.
- (b) For the sale of recycle plastics, it appears to have ceased operation after its operating subsidiary was ordered to be wound up in November 2022.
- (c) For the sale of masks under the brand of MIHK, the Company does not appear to have a business development plan.

The Stock Exchange notes the Company's recent contract for supplying sunflower meal. However, the contract is one-off in nature and insufficient to support the viability and sustainability of the Consumables Trading Business.

Again, the Consumables Trading Business is not demonstrated to have an established business model, a concrete business plan or demonstrable competitive advantages in procuring customer orders or developing a customer base that supports the viability and sustainability of the business. Nor has the Company provided a credible profit forecast to demonstrate the prospect of the business going forward.

(IV) Others

The other businesses including the Property Investment, Money Lending Business and Financial Services Business are obviously businesses operated at a minimal scale without substance.

On assets

As at 30 June 2022, the Company had total assets of HK\$235 million but net current liabilities of HK\$45 million. Its assets mainly included (i) deposits paid of HK\$107 million and investment properties of HK\$17 million which appeared to support the Property Investment Business which has been operated in a small scale; and (ii) interests in associates of HK\$30 million. As noted above, the Company did not appear to have sufficient assets to support the operation of a viable and sustainable business.

In May 2022, the Company completed a rights issue with net proceeds of HK\$3 million. In June 2022, the Company disposed of listed securities of listed company at a consideration of HK\$2 million. The proceeds from the rights issue and disposal were to be applied to pay debts and general working capital. The Company did not demonstrate how such proceeds would enable it to operate a viable and sustainable business.

In these circumstances, the Stock Exchange is not satisfied that the Company has sufficient assets to meet GEM Rule 17.26.

Alleged impact of the COVID-19

The Stock Exchange notes the Company's alleged impact of the COVID-19 pandemic on its business operation. However, the Stock Exchange is not satisfied that the Company has established that its current business situation represents a temporary downturn caused by COVID-19 and not other factors unrelated to COVID-19. In particular,

- (a) The Company's alleged impact of COVID-19 on its business operation is generic, devoid of factual basis to establish how and the extent to which COVID-19 has prevented it from implementing its pre-existing business plan (if any) or otherwise operating its businesses to meet GEM Rule 17.26.
- (b) As explained above, the Company's businesses are not demonstrated to be operated with a business model which is of substance, viable and sustainable. The Company has not provided evidence to show that, but for COVID-19, there could be a material improvement in its business performance which could have enabled it to re-comply with GEM Rule 17.26.

As mentioned in the Announcement, the Company is in the process of seeking advice from its external adviser and will actively consider to make a request for the Decision to be referred to the GEM Listing Committee for review. Pending the decision as to whether or not to request for a review of the Decision, trading in the shares of the Company will continue.

The Company will keep its shareholders and the public informed by making further announcements as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 13 December 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; the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 HKEx website at www.hkexnews.hk for at least 7 days from the date of its publication.