



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 Company Announcements” page of the GEM website for at least 7 days from the date of its posting.

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (collectively, the “Group”) recorded revenue of approximately HK\$63,028,000 for the year ended 31 December 2017, representing a decrease of approximately 13% as compared with approximately HK\$72,470,000 for the last year.

Loss for the year attributable to owners of the Company for the year ended 31 December 2017 was approximately HK\$71,648,000 (2016: HK\$29,955,000). The basic loss per share of the Company for the year ended 31 December 2017 was approximately HK1.18 cents (2016: HK0.60 cents).

The board of directors of the Company (the “Board”) does not recommend the payment of a final dividend for the year ended 31 December 2017.

ANNUAL RESULTS

The board of directors of the Company (the “Board”) presents the audited consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (collectively known as the “Group”) for the year ended 31 December 2017 and the Group’s audited consolidated statement of financial position at 31 December 2017, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK\$’000	2016 HK\$’000 (Restated)
Turnover		63,028	72,470
Revenue	3	55,868	67,662
Cost of sales		(47,716)	(61,800)
Gross profit		8,152	5,862
Provision of money lending services income		5,750	4,808
Provision of financial services income		1,410	–
		15,312	10,670
Other (loss) gain, net	4	(1,830)	13,324
Increase in fair value of investment properties, net		2,124	1,809
(Decrease) increase in fair value of financial assets at fair value through profit or loss		(20,621)	25,467
Impairment loss recognised on goodwill		(3,968)	(14,446)
Selling and distribution expenses		(1,493)	(1,103)
Administrative expenses		(58,635)	(61,592)
Share of results of associates		2,637	(1,030)
Finance costs	6	(10,873)	(7,456)
Loss before taxation		(77,347)	(34,357)
Taxation	7	(365)	308
Loss for the year	8	(77,712)	(34,049)
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of available-for-sale investments		402	4,662
Exchange differences arising on translating foreign operations		10,889	(8,428)
Other comprehensive income (expense) for the year		11,291	(3,766)
Total comprehensive expense for the year		(66,421)	(37,815)

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Loss for the year attributable to:			
Owners of the Company		(71,648)	(29,955)
Non-controlling interests		<u>(6,064)</u>	<u>(4,094)</u>
		<u>(77,712)</u>	<u>(34,049)</u>
 Total comprehensive expense for the year attributable to:			
Owners of the Company		(56,844)	(34,989)
Non-controlling interests		<u>(9,577)</u>	<u>(2,826)</u>
		<u>(66,421)</u>	<u>(37,815)</u>
 LOSS PER SHARE	 <i>10</i>		
Basic and diluted (<i>HK cents</i>)		<u>(1.18)</u>	<u>(0.60)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>NOTES</i>	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Plant and equipment		7,984	6,791
Investment properties		169,173	155,457
Goodwill		4,272	7,465
Intangible asset		–	4,679
Interests in associates		75,813	73,176
Loan and interest receivables	<i>12</i>	1,675	3,814
Available-for-sale investments		59,180	58,778
Deposit paid for acquisition of plant and equipment		–	778
		318,097	310,938
Current assets			
Inventories, finished goods		1,002	1,215
Trade and other receivables	<i>11</i>	53,428	36,576
Loan and interest receivables	<i>12</i>	48,059	45,444
Loan to an associate		24,856	2,773
Financial assets at fair value through profit or loss		40,328	79,269
Bank balances and cash		5,111	22,298
		172,784	187,575
Asset classified as held for sale		–	19,393
		172,784	206,968
Current liabilities			
Trade and other payables	<i>13</i>	35,801	20,545
Amounts due to non-controlling interests		2,995	2,995
Borrowings		67,189	19,181
Loan payable		–	20,000
Margin loans payable		20,022	16,768
Convertible bonds		21,687	31,551
Contingent consideration payable		512	1,047
Income tax payable		909	200
		149,115	112,287
Net current assets		23,669	94,681
Total assets less current liabilities		341,766	405,619

		2017	2016
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities			
Convertible bonds		–	19,786
Contingent consideration payable		–	1,929
Deferred tax liabilities		<u>21,533</u>	<u>21,777</u>
		<u>21,533</u>	<u>43,492</u>
Net assets		<u>320,233</u>	<u>362,127</u>
Capital and reserves			
Share capital	<i>14</i>	122,071	120,007
Reserves		<u>162,580</u>	<u>198,122</u>
Equity attributable to owners of the Company		284,651	318,129
Non-controlling interests		<u>35,582</u>	<u>43,998</u>
Total equity		<u>320,233</u>	<u>362,127</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL AND BASIS OF PREPARATION

General

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

The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) 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 the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is Suites 2303-06, 23/F Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company and parent company of the Company.

The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the business of one-stop value chain services, property investment, trading of consumables and agricultural products, trading of grocery food products, provision of money lending services and provision of financial services.

The 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\$.

Basis of preparation

During the year ended 31 December 2017, the Group incurred a net loss of approximately HK\$77,712,000 and net operating cash outflows of approximately HK\$47,505,000 during the year ended 31 December 2017. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Although the Group has been continuously incurring losses in these years, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its operating cash flows as and when they fall due for the next twelve months from the end of the reporting period given that:

- (i) on 9 March 2018, the Company entered into a placing agreement with the placing agent. The Company announced to place a maximum of 1,200,000,000 placing shares of HK\$0.083 per placing share in the net principal amount of approximately HK\$96,900,000 after deducting placing transaction costs.
- (ii) the directors of the Company will continuously review the cost structure of the Group and formulate appropriate cost saving measures to improve the performance and the cash flows of the Group's operations;
- (iii) the directors of the Company anticipate that the Group will generate positive cash flows from its operations; and the existence of stand-by facility to the Company for the period of one year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2017 on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKAS(s)”), amendments and interpretations (“Int(s)”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle: Amendments to HKFRS12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. The directors of the Company considered that these amendments have had no impact on the Group's consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Turnover represents revenue arising on one-stop value chain services, rental income, trading of consumables and agricultural products, trading of grocery food products, provision of money lending services and provision of financial services for the year. An analysis of the Group's revenue recognised in turnover for the year is as follows:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
One-stop value chain services	16,177	35,955
Rental income (<i>Note</i>)	3,919	3,586
Trading of consumables and agricultural products	5,870	5,712
Trading of grocery food products	29,902	22,409
	<u>55,868</u>	<u>67,662</u>
Provision of money lending services	5,750	4,808
Provision of financial services	1,410	–
	<u>7,160</u>	<u>4,808</u>
Turnover	<u>63,028</u>	<u>72,470</u>

Note:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	3,919	3,586
<i>Less:</i> outgoings (included in cost of sales)	(687)	(937)
Net rental income	<u>3,232</u>	<u>2,649</u>

4. OTHER LOSS OR GAIN, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")	(7,168)	(5,783)
Bank interest income	8	8
Loan interest income on loan to an associate	1,552	106
Gain on fair value change of contingent consideration payable	1,942	11,326
Loss on disposal of interest in a subsidiary	–	(881)
Gain on cancellation of convertible bonds	–	7,854
Dividend income from financial assets at FVTPL	288	25
Exchange gain	1,305	–
Sundry income	243	669
	<u>(1,830)</u>	<u>13,324</u>

5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating and reporting segments under HKFRS 8 are as follows:

- a. One-stop value chain services – provision of total solution services including trading, packaging and logistics solutions
- b. Property investment – generated rental income from operating leases of Group's investment properties
- c. Trading of consumables and agricultural products – trading of consumables and agricultural products
- d. Trading of grocery food products – trading of grocery food products
- e. Provision of money lending services – provision of money lending services
- f. Provision of financial services – Provision of financial and investment advisory and corporate finance services

The provision of financial and investment advisory services and corporate finance services were formally commenced during the year ended 31 December 2017 as a result of the acquisition of a subsidiary. As a result, a new segment of provision of financial services was added under operating segments in the current year.

Segment revenues and results

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

For the year ended 31 December

	One-stop value chain services		Property investment		Trading of consumables and agricultural products		Trading of grocery food products		Provision of money lending services		Provision of financial services		Total	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
REVENUE														
External sales	<u>16,177</u>	<u>35,955</u>	<u>3,919</u>	<u>3,586</u>	<u>5,870</u>	<u>5,712</u>	<u>29,902</u>	<u>22,409</u>	<u>5,750</u>	<u>4,808</u>	<u>1,410</u>	<u>-</u>	<u>63,028</u>	<u>72,470</u>
Segment (loss) profit	(529)	(254)	34	(4,183)	(2,045)	(396)	(482)	(17,957)	6,848	1,753	(52)	-	3,774	(21,037)
Unallocated corporate other (loss) gain, net													(1,830)	13,324
Unallocated corporate expenses													(46,466)	(29,179)
(Decrease) increase in fair value of financial assets at FVTPL													(20,621)	25,467
Share of results of associates													2,637	(1,030)
Impairment loss recognised on goodwill													(3,968)	(14,446)
Finance costs													(10,873)	(7,456)
Loss before taxation													(77,347)	(34,357)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, other (loss) or gain, net, (decrease) increase in fair value of financial assets at FVTPL, share of results of associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
<i>Segment assets</i>		
One-stop value chain services	21	403
Property investment	193,917	179,584
Trading of consumables and agricultural products	5,991	9,094
Trading of grocery food products	5,361	17,596
Provision of money lending services	49,734	49,258
Provision of financial services	867	–
	<hr/>	<hr/>
Total segment assets	255,891	255,935
Asset classified as held for sale	–	19,393
Unallocated corporate assets	234,990	242,578
	<hr/>	<hr/>
Consolidated assets	490,881	517,906
	<hr/> <hr/>	<hr/> <hr/>
<i>Segment liabilities</i>		
One-stop value chain services	29	183
Property investment	6,206	16,683
Trading of consumables and agricultural products	1,157	799
Trading of grocery food products	351	968
Provision of money lending services	232	78
Provision of financial services	357	–
	<hr/>	<hr/>
Total segment liabilities	8,332	18,711
Unallocated corporate liabilities	162,316	137,068
	<hr/>	<hr/>
Consolidated liabilities	170,648	155,779
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than certain plant and equipment, interests in associates, available-for-sale investments, certain other receivables, loan to an associate, deposit paid for acquisition of plant and equipment, financial assets at FVTPL and bank balances and cash; and
- all liabilities are allocated to operating segments other than other payables, amounts due to non-controlling interests, borrowings, certain income tax payable, contingent consideration payable, liability component of convertible bonds, certain deferred tax liabilities, margin loans payable and loan payable.

Other segment information

For the year ended 31 December

	One-stop value chain services		Property investment		Trading of consumables and agricultural products		Trading of grocery food products		Provision of money lending services		Provision of financial services		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Amounts included in the measure of segment profit or loss or segment assets																
Additions to non-current assets (Note)	-	-	522	478	-	3,502	-	-	-	-	3	-	3,578	33,277	4,103	37,257
Increase in fair value of investment properties, net	-	-	(2,124)	(1,809)	-	-	-	-	-	-	-	-	-	-	(2,124)	(1,809)
Depreciation for plant and equipment	52	52	1,026	525	423	420	-	-	-	-	2	-	1,181	693	2,684	1,690
Loss on written off on intangible assets	-	-	-	-	-	-	(3,075)	-	-	-	-	-	-	-	(3,075)	-
Loss on written off on property, plant and equipment	-	-	-	-	-	-	(382)	-	-	-	-	-	-	-	(382)	-
Amortisation of an intangible asset	-	-	-	-	-	-	1,604	1,604	-	-	-	-	-	-	1,604	1,604
Impairment loss recognised on goodwill	-	-	-	-	-	-	3,968	14,446	-	-	-	-	-	-	3,968	14,446
Impairment loss on trade and other receivables	-	-	-	-	-	-	302	-	-	-	-	-	-	-	302	-
Taxation	-	-	-	(206)	17	163	107	(265)	5	-	610	-	(374)	-	365	(308)
Amounts regularly provided to chief operating decision maker but not included in the measure of segment profit or loss or segment assets:																
Loss on disposal of financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	7,168	5,783	7,168	5,783
Interest income	-	-	-	-	-	-	-	-	-	-	-	-	(1,560)	(114)	(1,560)	(114)
Dividend income from financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	(288)	(25)	(288)	(25)
Gain on cancellation of convertible bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	(7,854)	-	(7,854)
Decrease (increase) in fair value of financial assets at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	20,621	(25,467)	20,621	(25,467)
Loss on disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	881	-	881
Gain on fair value change of contingent consideration payable	-	-	-	-	-	-	-	-	-	-	-	-	(1,942)	(11,326)	(1,942)	(11,326)
Share of results of associates	-	-	-	-	-	-	-	-	-	-	-	-	(2,637)	1,030	(2,637)	1,030
Interests in associates	-	-	-	-	-	-	-	-	-	-	-	-	75,813	73,176	75,813	73,176
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-	10,873	7,456	10,873	7,456

Note: Non-current assets excluded those financial instruments.

Geographical information

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

	Revenue from external customers		Non-current assets	
	For the year ended 31 December		As at 31 December	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	58,946	67,418	97,927	56,122
The PRC	3,919	4,430	137,129	171,437
Taiwan	163	622	22,186	20,787
	63,028	72,470	257,242	248,346

Note:

Non-current assets excluded those financial instruments.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	For the year ended 31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	10,378	29,982
Customer B ²	10,330	N/A ³

¹ Revenue from one-stop value chain services segment.

² Revenue from trading of grocery food products segment.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. FINANCE COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank borrowings	4,163	349
Interest on loan payable	–	220
Interest on margin loans payable	2,142	408
Effective interest expense on convertible bonds	<u>4,568</u>	<u>6,479</u>
	<u>10,873</u>	<u>7,456</u>

7. TAXATION

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	812	163
Deferred tax:		
Current year	<u>(447)</u>	<u>(471)</u>
	<u>365</u>	<u>(308)</u>

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) of the estimated assessable profits for the year ended 31 December 2017.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008. No EIT is provided for the years ended 31 December 2017 and 2016 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 years ended 31 December 2017 and 2016 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

8. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Directors' emoluments	9,155	11,014
Other staff costs (excluding directors' emoluments)	9,447	8,469
Share-based payments (excluding directors)	3,792	3,889
Retirement benefits scheme contributions (excluding directors)	<u>589</u>	<u>540</u>
	22,983	23,912
Auditors' remuneration	790	730
Amount of inventories recognised as an expense	47,029	60,863
Amortisation of an intangible asset	1,604	1,604
Depreciation for plant and equipment	2,684	1,690
Loss on written-off of intangible assets	3,075	–
Loss on written-off of plant and equipment	382	14
Impairment loss recognised on trade receivables	302	–
Exchange loss, net	–	3,745
Share-based payments to consultants	1,040	1,096
Minimum lease payments paid under operating leases in respect of office premises	<u>4,297</u>	<u>2,018</u>

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 December 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(71,648)</u>	<u>(29,955)</u>

Number of shares

	2017	2016
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>6,053,925,449</u>	<u>4,991,602,228</u>

Diluted loss per share is same as basic loss per share for the years ended 31 December 2017 and 2016. The computation of diluted loss per share does not assume the conversion/exercise of the Company's outstanding convertible bonds and options to subscribe for additional shares since their conversion/exercise would result in an anti-dilutive effect on the basic loss per share for the years ended 31 December 2017 and 2016.

11. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
Trade receivables (<i>note a</i>)	5,570	5,424
<i>Less:</i> allowance for doubtful debts	<u>(302)</u>	<u>–</u>
	<u>5,268</u>	<u>5,424</u>
Prepayment to suppliers	<u>4,333</u>	<u>6,008</u>
Deposits	41,283	14,250
Other receivables	3,550	11,900
<i>Less:</i> allowance for doubtful debts	<u>(1,006)</u>	<u>(1,006)</u>
	<u>43,827</u>	<u>25,144</u>
	<u>53,428</u>	<u>36,576</u>

The Group does not hold any collateral over the trade and other receivables.

Notes:

- (a) The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days (2016: 0 days to 90 days). The ageing analysis of trade receivables presented based on the invoice dates, which approximates the respective revenues recognition dates, at the end of the reporting period, which is as follows:

	2017 HK\$'000	2016 <i>HK\$'000</i>
0 to 30 days	2,082	3,281
31 to 90 days	1,146	1,923
Over 90 days	2,040	220
	<u>5,268</u>	<u>5,424</u>

12. LOAN AND INTEREST RECEIVABLES

	2017 HK\$'000	2016 <i>HK\$'000</i>
Fixed-rate loan and interest receivables		
– Secured	44,709	42,946
– Unsecured	9,174	10,461
	<u>53,883</u>	<u>53,407</u>
Less: allowance for doubtful debts	<u>(4,149)</u>	<u>(4,149)</u>
	<u>49,734</u>	<u>49,258</u>
Analysed as		
Current asset (within one year)	<u>48,059</u>	<u>45,444</u>
Non-current asset	<u>1,675</u>	<u>3,814</u>

Notes:

- (a) The secured loan and interest receivables were past due nor impaired as of the end of the reporting period as in the opinion of the directors of the Company that the outstanding amount can be fully recoverable by the collateral.
- (b) The loan receivables are entered into with independent third parties except for those mentioned in notes (e) and (f) below, with contractual maturity within six months to one year (2016: six months to one year). The Group seeks to maintain tight control over its loan and interest receivables in order to minimise credit risk by reviewing the borrowers' financial positions.

- (c) The secured loan and interest receivables are secured by the unlisted shares, properties of the borrowers and personal guarantee.
- (d) As at 31 December 2017, the current fair value of collaterals held by the Group is approximately HK\$100,753,000 (2016: HK\$56,156,000).
- (e) As at 31 December 2017, included in the carrying amount is approximately HK\$2,400,000 being a renewal of existing loan to the former director of the Company (2016: HK\$2,400,000). The maximum amount outstanding for the year ended 31 December 2017 was approximately HK\$2,400,000 (2016: HK\$2,400,000). The amount is secured by the unlisted shares in a PRC entity held by the former director of the Company, subject to a fixed interest rate of 8% (2016: 8%) per annum and is repayable within a year from the date of loan granted.
- (f) As at 31 December 2017, included in the carrying amount is approximately HK\$5,026,000 being a loan to the non-controlling interests of the Group (2016: HK\$6,312,000). The amount is secured by personal guarantee and subject to a fixed interest rate of 7% (2016: 7%) per annum and is repayable within 36 months from the date of loan granted.
- (g) The aging analysis presented based on the date of loan granted to customers and their contractual maturity dates at the end of the reporting period are as follows:

	2017	2016
	HK\$'000	HK\$'000
Within 1 year	48,059	45,444
After 1 year but within two year	1,675	3,269
After two years but within five years	<u>–</u>	<u>545</u>
	<u>49,734</u>	<u>49,258</u>

- (h) The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan and interest receivables are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate loan and interest receivables	<u>7% – 18%</u>	<u>7% – 18%</u>

- (i) The Group's loan and interest receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2017	2016
	HK\$'000	HK\$'000
RMB	<u>28,921</u>	<u>27,368</u>

(j) The movement in the allowance for impairment of loan and interest receivables is set out below:

	2017	2016
	HK\$'000	HK\$'000
At the beginning and end of the year	<u>4,149</u>	<u>4,149</u>

Included in the allowance for impairment of loan and interest receivables are individually impaired loan and interest receivables with an aggregate balance of approximately HK\$4,149,000 (2016: HK\$4,149,000). The individually impaired loan and interest receivables are recognised based on the credit history and the financial condition of its debtors or counterparties, such as financial difficulties or default in payments, and current market conditions.

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK\$'000	HK\$'000
Trade payables	151	970
Other payables	<u>35,650</u>	<u>19,575</u>
	<u>35,801</u>	<u>20,545</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK\$'000	HK\$'000
0 to 30 days	<u>151</u>	<u>970</u>

The average credit period on purchases of goods is 15 days (2016:14 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

As at 31 December 2016, included in other payables was an amount of approximately RMB8,600,000 (equivalent to approximately HK\$9,557,000) (2017: nil), which represented the deposit received from the buyer for the purpose of disposal of investment properties held by the Group. The disposal was completed during the year ended 31 December 2017.

As at 31 December 2017, included in other payables of approximately HK\$23,000,000 represents the amount payable to the bondholder upon maturity of a convertible bond.

14. SHARE CAPITAL

	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised ordinary shares:			
At 1 January 2016 and 31 December 2016 and 1 January 2017 and at 31 December 2017	0.02	<u>9,130,434,785</u>	<u>182,609</u>
Issued and fully paid ordinary shares:			
At 1 January 2016	0.02	4,528,705,060	90,574
Placing of new shares (<i>Note a</i>)	0.02	420,000,000	8,400
Issue of shares (<i>Note b</i>)	0.02	288,000,000	5,760
Issue of shares in consideration for the acquisition of an associate (<i>Note c</i>)	0.02	263,636,364	5,273
Issue of shares upon conversion of convertible bonds (<i>Note d</i>)	0.02	<u>500,000,000</u>	<u>10,000</u>
At 31 December 2016 and 1 January 2017	0.02	6,000,341,424	120,007
Issue of shares upon conversion of convertible bonds (<i>Note e</i>)	0.02	68,443,811	1,369
Exercise of share options (<i>Note f</i>)	0.02	30,750,000	615
Issue of shares upon settlement of contingent consideration (<i>Note g</i>)	0.02	<u>4,017,253</u>	<u>80</u>
At 31 December 2017		<u>6,103,552,488</u>	<u>122,071</u>
Authorised convertible preference shares:			
At 1 January 2016, 31 December 2016 and 1 January 2017 and 31 December 2017	0.1	<u>173,913,043</u>	<u>17,391</u>
Issued and fully paid convertible preference shares:			
At 1 January 2016, 31 December 2016 and 1 January 2017 and 31 December 2017	0.1	<u>–</u>	<u>–</u>

Notes:

- (a) On 25 April 2016, the Company and Sun International Securities Limited (the “Placing Agent”) entered into the placing agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a best effort basis a maximum of 420,000,000 ordinary shares of the Company at a placing price of HK\$0.1 per placing share (the “2016 Placing”).

The gross proceeds from the 2016 Placing were HK\$42,000,000. The net proceeds after deducting the placing commission and other related expenses were approximately HK\$41,582,000. The relevant resolution was passed at the Company’s special general meeting on 25 April 2016. The completion of the 2016 Placing took place on 3 May 2016. Further details of the 2016 Placing are set out in the Company’s announcements dated 25 April 2016 and 3 May 2016.

- (b) On 19 July 2016, arrangements were made for a private placement to independent private investors, Mr. Sun Hui (the “Subscriber”). Pursuant to the subscription agreement, the Subscriber had conditionally agreed to subscribe for 288,000,000 subscription shares at a consideration of HK\$43,200,000 in the Company at a price of HK\$0.15 per share. The proceeds will utilise for investment purposes or working capital for operation of the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 4 May 2016 and rank *pari passu* with other shares in issue in all respects.
- (c) On 20 September 2016, Allied Realty Limited (“Allied Realty”), a wholly-owned subsidiary of the Company and an independent third party Mr. Huang Zekai (“Mr. Huang”) entered into a sale and purchase agreement, pursuant to which (i) Mr. Huang has agreed to sell to Allied Realty 40,000 ordinary shares of Gold Wide Holdings Limited (“Gold Wide”), representing 25% of the entire issued share capital in Gold Wide, and (ii) Sale loan of net amount of approximately HK\$115,000 at the consideration of approximately HK\$29,528,000, settled by the issuance of 263,636,364 shares by the Company to Mr. Huang at closing price at the completion date of HK\$0.112 per share together with HK\$1 in cash. The transaction was completed on 6 October 2016. Further details of the acquisition are set out in the Company’s announcements dated 20 September 2016 and 6 October 2016.
- (d) During the year ended 31 December 2016, CB-I with principal amount of HK\$10,000,000 was converted into 500,000,000 ordinary shares of the Company at par at the conversion price of HK\$0.02 per ordinary share.
- (e) During the year ended 31 December 2017, the remaining CB-II was converted into 68,443,811 ordinary shares of the Company at par at the conversion price of HK\$0.17 per ordinary shares. As a result of the conversion share capital and share premium have been increased by approximately HK\$1,369,000 and approximately HK\$13,795,000 respectively and equity component of convertible bonds has been decreased by approximately HK\$4,194,000.
- (f) During the year ended 31 December 2017, 30,750,000 share options had been exercised by the holders at an exercise price HK\$0.11 each for the issuance of shares at par. As a result of the exercise of share options, cash and cash equivalents, share capital and share premium have been increased by HK\$3,383,000, HK\$615,000 and HK\$4,153,000 respectively and share options reserves has been decreased by approximately HK\$1,385,000.

- (g) On 29 July 2016, a wholly owned subsidiary of the Company, Treasure Max Investment Holdings Limited (the “Purchaser”) and Ms. Kwok Shuk Kam (the “Vendor”) entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell the Sale Shares (as defined in the Company’s announcement dated 29 July 2016) to the Purchaser and the Purchaser has agreed to acquire the Sale Shares from the Vendor. The Consideration in the sum of up to HK\$4,212,000 (subject to adjustment) shall be satisfied by cash of HK\$2,600,000 and up to HK\$1,612,000 by issue of not more than 12,400,000 consideration shares at HK\$0.13 per consideration share under the General Mandate granted to the directors of the Company at the annual general meeting held on 4 May 2016.

During the year ended 31 December 2017, the Company issued 4,017,253 ordinary shares at par value of HK\$0.02 per share at a conversion price of HK\$0.13 per share on a pro rata basis to Ms. Kwok since 65% of the target profit after tax have been met. As a result of this transaction, share capital and share premium have been increased by HK\$80,000 and HK\$442,000 respectively.

- (h) All new shares rank pari passu with other shares in issue in all respects.

15. COMPARATIVE FIGURES

Turnover is presented separately in the consolidated statement of profit or loss and other comprehensive income and the impairment loss recognised on goodwill presented in the consolidated statement of profit or loss and other comprehensive income were previously included in administrative expenses. To conform to current year’s presentation, the above amount for the year ended 31 December 2016 have been separately disclosed in the consolidated statement of profit or loss and other comprehensive income. The consolidated statement of financial position at 1 January 2016 is not presented as there was no impact resulting from the above reclassification.

16. EVENTS AFTER THE REPORTING PERIOD

Placing of new shares

On 20 February 2018, the Company entered into the placing agreement with a placing agent, it is propose that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at HK\$0.08334 per placing shares (“Placing I”), and the placing agent has agreed to procure subscriptions for the placing shares. The maximum gross proceeds from the Placing will be approximately HK\$100,008,000. Details are set out in the announcement issued by the Company dated 20 February 2018.

On 9 March 2018, the Company announced to terminate Placing I and will be replaced by a new placing agreement with a placing agent. It is propose that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at the placing price of HK\$0.083 per placing share. The maximum gross proceeds from the placing will be approximately HK\$99,600,000.

EXTRACT FROM INDEPENDENT AUDITOR’S REPORT PREPARED BY THE INDEPENDENT AUDITOR

The Group would like to provide an extract from the independent auditor’s report prepared by SHINEWING (HK) CPA Limited (the independent auditor) on the Group’s annual financial statements for the year ended 31 December 2017 as set out below:

“Material Uncertainty Relating to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately HK\$77,712,000 and net operating cash outflows of approximately HK\$47,505,000 during the year ended 31 December 2017. These conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.”

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the year ended 31 December 2017, the Company and its subsidiaries (collectively, the “Group”) was principally engaged in the business of one-stop value chain services, property investment, trading of grocery food products, trading of consumables and agricultural products, provision of money lending services and provision of financial services.

During the year ended 31 December 2017, the Group recorded revenue of approximately HK\$63,028,000 (2016: HK\$72,470,000), representing a decrease of approximately 13% as compared to that of last year. Loss for the year attributable to owners of the Company amounted to approximately HK\$71,648,000 (2016: HK\$29,955,000). The basic loss per share of the Company was approximately HK1.18 cents (2016: HK0.60 cents).

Property Investment

During the year ended 31 December 2017, the property investment segment reported revenue of approximately HK\$3,919,000 (2016: HK\$3,586,000), representing an increase of approximately 9.3%, as compared to the last year. At 31 December 2017, the Group held properties in the People’s Republic of China (PRC), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$169,173,000 (2016: HK\$174,850,000). The portfolio’s rental yield was shown in the table below.

Key performance – data of property investment

	2017	2016
Average occupancy level	67.2%	63.3%
Average monthly rental income per square metre (sq.m)	<u>HK\$99</u>	<u>HK\$84</u>

Definition and calculation: Average occupancy level, being percentage of floor area occupied by tenant. Average monthly rental income per sq.m. being average rental income charged to tenant per sq.m. of floor area leased.

One-stop Value Chain Services

During the year ended 31 December 2017, the one-stop value chain services segment reported a revenue of approximately HK\$16,177,000 (2016: HK\$35,955,000), representing a slump of approximately 55%, as compared to the last year. The relatively weak performance in this segment was expected but the Group is working on improvement plan.

Key performance – data of one-stop value chain services

	2017	2016
Gross profit margin	<u>2.8%</u>	<u>3.2%</u>

Definition and calculation: Gross profit margin, being percentage of gross profit to segment turnover.

Trading of Consumables and Agricultural Products

During the year ended 31 December 2017, this business segment reported a revenue of approximately HK\$5,870,000 (2016: HK\$5,712,000). The surge in revenue was mainly due to acquisition of reusable bags trading business in August 2016. The business segment demonstrates huge potential and the Group is optimistic about its future contribution.

Key performance – data of trading of consumables and agricultural products

	2017	2016
Gross profit margin	<u>26.4%</u>	<u>11.6%</u>

Definition and calculation: Gross profit margin, being percentage of gross profit to segment turnover.

Trading of Grocery Food Products

The Group's trading of grocery food products segment consists of distribution (i) in the catering channel in Hong Kong for "Mengniu" liquid milk and pasteurized dairy products, under the "Mengniu" brand; and (ii) in peanut oil, corn oil and canola oil under the "Jinlongyu" brand via supermarkets, convenience stores and small-scale stores in Hong Kong. In addition, the Group is also 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. During the year ended 31 December 2017, this segment reported a revenue of approximately HK\$29,902,000 (2016: HK\$22,409,000).

Key performance – data of trading of grocery food products

	2017	2016
Gross profit margin	<u>7.8%</u>	<u>6.3%</u>

Definition and calculation: Gross profit margin, being percentage of gross profit to segment turnover.

Performance guarantee – Mengniu and Jinlongyu

Pursuant to the sale and purchase agreement dated 28 October 2015 entered into between Hexin Limited ("Hexin"), Fantastic Alliance Investments Limited and the Company, Hexin will be entitled to obtain 118,320,000 new shares to be issued by the Company if YIHE Enterprise Holding Limited ("YIHE") successfully meet the target profit of HK\$7,000,000 for the year ended 31 December 2017. Since YUHE recorded a loss of approximately HK\$940,000 instead, no shares of the Company will be issued to Hexin. As a result, goodwill arising from acquisition of YIHE was impaired by approximately HK\$3,968,000 whereas contingent consideration in the amount of approximately HK\$1,839,000 was written back to the consolidated statement of profit or loss and other comprehensive income.

After a series of discussion and careful consideration, the Group decided to not to renew the sole distributorship agreements with respective principals of Mengniu and Jinlongyu products. The Group is unable to come up with a satisfactory turnaround plan with the management of Huge Famous Corporation Limited due to the tough trading environment resulting in the products' low gross margin. The Group will focus on Nittin brand of ramen and udon products within this segment.

Provision of money lending services

During the year ended 31 December 2017, the Group's money lending services segment managed to contribute stable return. With majority of the loans secured by properties or company shares, we demonstrated our strategy of balanced approach between protecting the Group's position yet allowing certain flexibility to cater for customer needs.

Key performance – loan interest data

	2017	2016
Interest rate earned	<u>12.7%</u>	<u>10.4%</u>

Definition and calculation: Interest rate earned, being percentage of interest income divided by loan amount.

Provision of financial services

During the year ended 31 December 2017, the Group successfully stepped into the business provision of financial services. On 17 August 2017, China AF Asset Management Limited (“CAFAM”), a wholly-owned subsidiary, obtained Type 9 (asset management) licence under Securities and Futures Commission (the “SFC”). On 5 September 2017, the Group completed the acquisition of 70% interest in China AF Corporate Finance Limited (“CAFCL”, formerly known as Royal Excalibur Corporate Finance Company Limited), a company holding Type 6 (advising on corporate finance) licence under the SFC. While CAFAM is building up its management portfolio, CAFCL has demonstrated its value to customers, recording revenue for the year ended 31 December 2017 of HK\$3,664,900 (2016: HK\$3,590,000).

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded a revenue of approximately HK\$63,028,000 (2016: HK\$72,470,000), representing a decrease of approximately 13% as compared to that of last year. The expansion of trading of agricultural and consumables products and trading of grocery food products were insufficient to make good the setback of revenue from one-stop value chain services.

Cost of sales for the year under review was approximately HK\$47,716,000 (2016: HK\$61,800,000), representing a decrease of approximately 22.8% as compared to that of last year. The decrease of cost of sales was in line with the drop in revenue. The increase in absolute amount of gross profit was due to increase in trading of grocery food products which has high gross profit.

Administrative expenses for the year under review was approximately HK\$58,635,000 (2016: HK\$61,592,000), representing a decrease of approximately 4.8% as compared to that of last year. The decrease was mainly attributable to decreases in exchange loss of approximately HK\$6 million, share option expense of approximately HK\$2.8 million, provision for damage caused of an investment property of approximately of HK\$2.8 million and consultancy fees of approximately HK\$1.6 million, which was partially offset by increases in impairment loss of approximately HK\$2.9 million, rental expense of approximately HK\$2.3 million, legal and professional fees of approximately HK\$2.2 million, staff salary of approximately HK\$1.0 million and depreciation of approximately HK\$1.0 million.

Finance costs for the year under review was approximately HK\$10,873,000 (2016: HK\$7,456,000), representing an increase of approximately 45.8% as compared to that of last year. The increase was mainly due to increase of the interest paid and payable for the secured loans and margin loan.

The Group recorded a loss for the year attributable to owners of the Company in the amount of approximately HK\$71,648,000 (2016: HK\$29,955,000). Basic loss per share of the Company increased from HK0.60 cents for the year ended 31 December 2016 to HK1.18 cents for the year ended 31 December 2017.

Liquidity and Financial Resources

The Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. At 31 December 2017, the bank balances and cash of the Group was approximately HK\$5,111,000 (2016: HK\$22,298,000).

At 31 December 2017, the net assets of the Group was approximately HK\$320,233,000 (2016: HK\$362,127,000) and the net current assets was approximately HK\$23,669,000 (2016: HK\$94,681,000).

Gearing Ratio

At 31 December 2017, the total liabilities of the Group amounted to approximately HK\$170,648,000 (2016: HK\$155,779,000), which mainly comprised of trade and other payables, interest-bearing bank borrowings, margin loans payable, other loan payable, amount due to non-controlling interests, loan from non-controlling interests, liability component of convertible bonds and deferred tax liabilities. These liabilities are denominated in Hong Kong dollars, Renminbi and New Taiwan Dollars.

At 31 December 2017, the Group had total assets of approximately HK\$490,881,000 (2016: HK\$517,906,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, turned to 0.35 as at 31 December 2017 (2016: 0.30).

Segmental Information

An analysis of the Group's performance for the year ended 31 December 2017 by business segment is set out in note 5 to this announcement.

Employees and Remuneration Policies

As at 31 December 2017, the Group had 44 (2016: 44) total number of full-time employees. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2017 were approximately HK\$24,023,000 in total (2016: HK\$25,008,000). The Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Capital Structure

As at 31 December 2017, the Company's issued ordinary share capital was HK\$122,071,049.76 divided into 6,103,552,488 shares of HK\$0.02 each ("Shares") (2016: HK\$120,006,828.48 divided into 6,000,341,424 shares).

Fund Raising Activities

Issue of Convertible Bonds II as a consideration of an acquisition

On 13 December 2013, Skyline Top Limited ("Skyline Top"), a wholly-owned subsidiary of the Company and Mr. So Pan entered into a sale and purchase agreement, pursuant to which (i) Mr. So Pan has agreed to sell to Skyline Top, and Skyline Top has agreed to purchase from Mr. So Pan the sale shares of Konson Global Investments Limited; and (ii) Mr. So Pan has agreed to assign to Skyline Top, and Skyline Top has agreed to accept the assignment of, the sale loan at an aggregated consideration of HK\$40,000,000, of which: (i) HK\$20,000,000 shall be satisfied by Skyline Top by cheque or cashier order upon the completion; and (ii) HK\$20,000,000 shall be satisfied by the Skyline Top's procuring of the issue of the convertible bonds ("Convertible Bonds II") at the conversion price of HK\$0.17 (*note*) per conversion share by the Company to Mr. So Pan upon completion.

Upon exercise of conversion rights attaching to the Convertible Bonds II, 117,647,058 (*note*) new shares shall be issued.

The completion of the acquisition involving the issue of convertible bonds as a consideration took place on 31 March 2014.

Included in the audited financial statements of the Property Investment Subsidiary (as defined in the Company's circular dated 19 February 2014) dated 28 April 2017 was the profit before tax of the Property Investment Subsidiary for the period commencing from the Placing Completion Date (as defined in the Company's circular dated 19 February 2014) up to 31 December 2016 of HK\$46,541,792 which was audited by the auditor of the Company. As a result, principal portion of Convertible Bond II amounted to HK\$8,364,552 was cancelled by the Company pursuant to the terms and conditions of the Convertible Bond II. On 23 May 2017, 68,443,811 new shares of the Company were issued to Mr. So Pan upon his exercise in full of the remaining portion of Convertible Bond II.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 13 December 2013, 7 March 2014 and 31 March 2014 and the circular of the Company dated 19 February 2014.

Note: On 2 July 2015, a placing of 629,000,000 new shares of the Company was completed and pursuant to the terms and conditions of the bond instruments of the Convertible Bonds, the conversion price was revised from HK\$0.188 to HK\$0.17. As a result, number of new shares to be issued upon exercise of conversion attaching to the Convertible Bonds was revised from 106,382,978 to 117,647,058.

Placing of new shares under general mandate – successful

On 15 June 2015, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six placees for the subscription of up to a maximum of 629,000,000 placing shares at the placing price of HK\$0.20 per placing share under the General Mandate. The completion of the placing took place on 2 July 2015, where a total of 629,000,000 placing shares have been successfully placed by the placing agent to not less than six placees at the placing price of HK\$0.20 per placing share. The gross proceeds from the placing were approximately HK\$125.8 million and the net proceeds after deducting the placing commission and other selected expenses were approximately HK\$124.4 million. Further details of the placing are set out in the announcements of the Company dated 16 June 2015 and 2 July 2015.

The net proceeds from placing were used as follows:

Period under review	Aggregate amount used during the year under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the year under review
Since completion of placing on 2 July 2015 up to and including 31 December 2017	HK\$55.9 million	General working capital	Nil
	HK\$68.5 million	Future business development	Nil

On 25 April 2016, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six places for the subscription of up to a maximum of 420,000,000 placing shares at the placing price of HK\$0.10 per placing share under the general mandate. The completion of the placing took place on 3 May 2016, where a total of 420,000,000 placing shares have been successfully placed by the placing agent to not less than six places at the placing price of HK\$0.10 per placing share. The gross proceeds from the placing were approximately HK\$42.0 million and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$41.5 million. Further details of the placing are set out in the announcements of the Company dated 25 April 2016 and 3 May 2016.

The net proceeds from placing were used as follows:

Period under review	Aggregate amount used during the year under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the year under review
Since completion of placing on 3 May 2016 up to and including 31 December 2017	HK\$41.5 million	General working capital	Nil

Issue of Convertible Bond III & Convertible Bond IV as a consideration of an acquisition

On 28 May 2015, Skyline Top Limited and Yardley Wealth Management Limited (“Yardley”) became shareholders (the “JV Partners”) of Delightful Hope Limited (the “JV Company”) for the purpose of the proposed acquisition. The JV Company is owned as to 50% by each of the JV Partners. The directors of the Company considered the JV Company is the subsidiary of the Company in accordance with HKFRS10 *Consolidated Financial Statement*.

Upon formation of JV Company, the JV Partners have agreed to make provision for the management and administration of the JV Company’s affairs, and set out their respective obligations and rights on the terms and conditions set in the shareholders’ agreement (the “Shareholders’ Agreement”).

On 29 May 2015, the Company, the JV Company, Yardley and Rich Best Asia Limited (the “Vendor”) entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which (i) the Vendor has agreed to sell and the JV Company has agreed to purchase entire equity interest in China Smart Asia Limited, a subsidiary of Chinese Strategic Holdings Limited (“Chinese Strategic”), which the shares of Chinese Strategic are listed on the GEM of the Stock Exchange (stock code: 8089); and (ii) the Vendor has agreed to assign the JV Company, and the JV Company has agreed to accept the assignment of sale loan at an aggregate consideration of HK\$93,000,000, which shall be settled and discharged by the JV Company in accordance with the time, mode and manner set out under the Sale and Purchase Agreement: (i) forthwith upon the execution of the Sale and Purchase Agreement, the JV Company and Yardley shall jointly and severally pay the sum of HK\$20,000,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor as deposit (the “Deposit”), and the Deposit shall be applied for partial payment of the consideration at completion; (ii) the JV Company and Yardley shall jointly and severally pay a further sum of HK\$26,500,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor for partial payment of the balance of the consideration at completion; and (iii) the remaining balance of the consideration in the sum of HK\$46,500,000 shall be settled and discharged by the Company’s issuance to the Vendor (or any nominee of the Vendor) (i) the convertible bonds (“Convertible Bond-III”) in the principal amount of HK\$23,000,000; and (ii) the convertible bonds (“Convertible Bond-IV”) in the principal amount of HK\$23,500,000 at completion.

Upon exercise of conversion rights attaching to the Convertible Bond-III & Convertible Bond-IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of Convertible Bond-III & Convertible Bond-IV as a part of the consideration took place on 20 August 2015.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 29 May 2015, 20 August 2015 and the circular of the Company dated 27 July 2015.

Convertible Bond III expired on 31 March 2017 and subsequently the Company received a redemption notice from the Convertible Bond III holder for the principal amount of HK\$23,000,000. As at the date of this announcement, the amount remained outstanding and the Company has agreed with the Convertible Bond III holder to pay an interest of 5% per annum from 1 April 2017 up to the date of settlement.

Significant Investments, Acquisitions and Disposal

Disposal of an investment property

On 3 December 2016, the Group entered into and signed a sale and purchase agreement with an independent third party to dispose of one of the investment properties held by the Group which is located in the PRC with fair value of approximately RMB17,500,000 (equivalent to approximately HK\$19,447,000) as at 31 December 2016. Such property was classified as asset held for sale in the consolidated statement of financial position as at 31 December 2016. The transaction was completed on 14 March 2017 with a gain of disposal between the sale proceed over the cost of acquisition of approximately HK\$4,685,000.

Acquisition of Shunxin Holdings Limited and placing of convertible bonds

(a) The acquisition of Shunxin Holdings Limited (the “Acquisition”)

On 29 May 2017, Cosmic Bliss Limited as the vendor (the “Vendor”), Champion Front Limited as the purchaser (the “Purchaser”) and the Company entered into a sale and purchase agreement (the “Sale and Purchase Agreement”), pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the entire issued share capital of Shunxin Holdings Limited, the target company, at the maximum consideration of HK\$120,000,000, which shall be settled by the issue of the consideration CBs (the “Consideration CBs”).

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the outstanding shareholder loan due to the Vendor at the consideration of HK\$1, which shall be settled by cash at completion.

The Consideration CBs are convertible at the conversion price of HK\$0.06 per consideration conversion share. Assuming the Consideration CBs in the principal amount of HK\$120,000,000 are fully converted at the initial conversion price of HK\$0.06, 2,000,000,000 new shares will be allotted and issued by the Company under specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Consideration CBs.

Upon completion of the Acquisition, the target company and its subsidiaries will become wholly-owned subsidiaries of the Company and accordingly, their financial results will be consolidated into the accounts of the Company.

(b) Placing of convertible bonds (the “Placing”)

On 29 May 2017, Kingston Securities Limited (the “Placing Agent”) and the Company entered into a placing agreement (the “Placing Agreement”) pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent and the Placing Agent has agreed to procure subscribers to subscribe for the placing CBs (the “Placing CBs”) in the aggregate principal amount of HK\$360,000,000, on a best effort basis, on the terms and conditions set out in the Placing Agreement.

Completion of the Placing shall be conditional upon, among other things, the completion of the Acquisition. Assuming the Placing CBs in the principal amount of HK\$360,000,000 are fully converted at the initial conversion price of HK\$0.06, 6,000,000,000 new shares will be allotted and issued by the Company under the specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Placing CBs.

On 2 January 2018, the Company announced that the Acquisition was terminated as certain conditions precedent of the Sale and Purchase have not fulfilled or waived by the long stop date. As a result, the Company also announced that the Placing was terminated accordingly.

Acquisition of interest in certain properties in Shenzhen, the PRC

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. As at the date of this announcement, HK\$20,000,000 of the above part 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.

Charges on Group's Assets

As at 31 December 2017, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$9,233,000 (2016: HK\$9,181,000). Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$20,022,000 (31 December 2016: HK\$16,768,000). Further, the Group had charges on certain investment properties in the PRC to obtain term loans from a money lender in the PRC of approximately HK\$47,956,000 (31 December 2016: Nil).

Contingent Liabilities

At 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

Capital Commitments

At 31 December 2017, the Group had capital commitment amounting to approximately HK\$35,000,000 (2016: HK\$2,451,000).

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 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 other alternative have been implemented.

Events after the Reporting Period

Details are set out in note 16 to this announcement.

OUTLOOK AND PROSPECTS

Looking ahead, the global economic activities are expected continue to strengthen in 2018. Benefit from economic growth in PRC, a firm US economy and low interest rate, the Hong Kong economic outlook in 2018 is rather optimistic. However, the Group continues to allocate resources carefully in different business segments to optimise the investment strategies.

One-stop value chain services

During the year, the Group noticed that the performance of this segment was weaker than previous year. Nevertheless, the Group is working on improvement plan. We expect that this business segment will continue contribute to the Group's revenue and gross profit.

Property investment

During the year under review, the Group entered into an agreement to consolidate its interest in a commercial property in Shenzhen City, Guangdong Province, the PRC. Upon completion, the Group will wholly own 8 commercial units of a total gross floor area of approximately 1,690 sq.m.

The Group will continue monitor its property investment portfolio and grasp the opportunity to be benefited from the potential capital gain of the assets together but also balance with enhanced rental yields.

Trading of consumables and agricultural products

The business segment for trading of consumables and agricultural products was expanded through the acquisition of re-usable bags trading business in 2016. The business segment demonstrates huge potential and the Group is optimistic about its future contribution.

Trading of grocery food products

Since the Group has decided not to renew the sale distributorship agreements with respective principals of Mengniu and Jinlongyu products, the Group will focus its resources on Nittin brand of ramen and udon products in this segment.

Provision of money lending services

The Group's money lending services segment continue to make stable contribution to the Group's revenue. The Group will continue its tight credit control policy and look to further expand this business segment if and when financial resources are available.

Provision of financial services

The Group has now 2 licensed subsidiaries providing asset management and advising on corporate finance services. With the relatively optimistic outlook in Hong Kong in 2018, the Group is confident that this segment will continue to grow and make positive contribution to the Group's revenue and profit.

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 year ended 31 December 2017.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2017 (2016: Nil).

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2017, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the Preliminary Announcement have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions on Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviation:

The code provision A.2.1 of the Code provides, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year ended 31 December 2017, the Company did not appoint a chairman. The Board will keep reviewing the structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chairman as appropriate.

Under code provision A.2.7 of the Code, the chairman of board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have the Chairman, no such meeting was held in this regard for the year ended 31 December 2017.

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 audited financial results of the Group for the year ended 31 December 2017 have been reviewed by the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<http://www.aplushk.com/clients/8166chinaeco-farming/index.html>). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. So David Tat Man, Mr. Lai Yick Fung 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.