



*(Continued into Bermuda with limited liability)*

**(Stock Code: 8166)**

## **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018**

### **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\$51,417,000 for the year ended 31 December 2018, representing a decrease of approximately 18% as compared with approximately HK\$63,028,000 for the last year.

Loss for the year attributable to owners of the Company for the year ended 31 December 2018 was approximately HK\$68,428,000 (2017: HK\$71,648,000). The basic loss per share of the Company for the year ended 31 December 2018 was approximately HK9.63 cents (2017: HK11.83 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 2018.

## 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 2018 and the Group’s audited consolidated statement of financial position at 31 December 2018, 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 2018

		2018	2017
	<i>NOTES</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue			
Goods and services	3	44,696	53,359
Rental		5,153	3,919
Interest		1,568	5,750
		<hr/>	<hr/>
Total revenue		51,417	63,028
Cost of sales		(37,798)	(47,716)
		<hr/>	<hr/>
Gross profit		13,619	15,312
Other gains or losses	4	7,587	(1,830)
Gain from changes in fair value of investment properties, net		16,249	2,124
Loss from changes in fair value of financial assets at fair value through profit or loss		(20,486)	(20,621)
Impairment loss on goodwill		–	(3,968)
Selling and distribution expenses		(1,232)	(1,493)
Administrative expenses		(63,626)	(58,635)
Share of results of associates		(2,382)	2,637
Finance costs	6	(9,251)	(10,873)
		<hr/>	<hr/>
Loss before tax		(59,522)	(77,347)
Income tax expense	7	(984)	(365)
		<hr/>	<hr/>
Loss for the year	8	(60,506)	(77,712)

	<i>NOTES</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		<u>(12,288)</u>	<u>–</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of available-for-sale investments		–	402
Exchange differences arising on translating foreign operations		<u>(11,973)</u>	<u>10,889</u>
Other comprehensive (expense) income for the year		<u>(24,261)</u>	<u>11,291</u>
Total comprehensive expense for the year		<u><b>(84,767)</b></u>	<u><b>(66,421)</b></u>
Loss for the year attributable to:			
Owners of the Company	4	(68,428)	(71,648)
Non-controlling interests		<u>7,922</u>	<u>(6,064)</u>
		<u><b>(60,506)</b></u>	<u><b>(77,712)</b></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(86,113)	(56,844)
Non-controlling interests		<u>1,346</u>	<u>(9,577)</u>
		<u><b>(84,767)</b></u>	<u><b>(66,421)</b></u>
			(Restated)
LOSS PER SHARE			
Basic and diluted ( <i>HK cents</i> )	10	<u><b>(9.63)</b></u>	<u><b>(11.83)</b></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>NOTES</i>	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		<b>6,158</b>	7,984
Investment properties		<b>169,800</b>	169,173
Goodwill		<b>4,272</b>	4,272
Interests in associates		<b>73,431</b>	75,813
Equity instruments at fair value through other comprehensive income		<b>31,984</b>	–
Available-for-sale investments		–	59,180
Deposit paid for acquisition of a subsidiary		<b>35,250</b>	20,000
Loan and interest receivables	<i>12</i>	–	1,675
		<b>320,895</b>	338,097
<b>CURRENT ASSETS</b>			
Inventories, finished goods		<b>921</b>	1,002
Trade and other receivables	<i>11</i>	<b>27,292</b>	33,428
Loan and interest receivables	<i>12</i>	<b>34,215</b>	48,059
Loans to associates		<b>27,864</b>	24,856
Financial assets at fair value through profit or loss		<b>20,362</b>	40,328
Bank balances and cash		<b>17,870</b>	5,111
		<b>128,524</b>	152,784
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>13</i>	<b>31,051</b>	35,746
Contract liabilities	<i>14</i>	<b>1,940</b>	–
Amounts due to non-controlling interests		<b>2,995</b>	2,995
Borrowings		<b>35,616</b>	57,189
Margin loans payable		<b>18,199</b>	30,077
Convertible bonds		–	21,687
Contingent consideration payable		–	512
Income tax payable		<b>623</b>	909
		<b>90,424</b>	149,115
<b>NET CURRENT ASSETS</b>		<b>38,100</b>	3,669
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>358,995</b>	341,766

	<i>NOTES</i>	<b>2018</b> <b>HK\$'000</b>	2017 <i>HK\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<u>22,022</u>	<u>21,533</u>
<b>NET ASSETS</b>		<u><b>336,973</b></u>	<u>320,233</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		7,771	122,071
Reserves		<u>292,586</u>	<u>162,580</u>
Equity attributable to owners of the Company		<b>300,357</b>	284,651
Non-controlling interests		<u>36,616</u>	<u>35,582</u>
<b>TOTAL EQUITY</b>		<u><b>336,973</b></u>	<u>320,233</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 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 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 (the “Directors”) 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 2018, the Group incurred a loss attributable to owner of the Company of approximately HK\$68,428,000 and net operating cash outflows of approximately HK\$69,732,000 during the year ended 31 December 2018. 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 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) the Directors will continuously review the cost structure of the Group formulate appropriate cost saving measures to improve the performance and the cash flows of the Group's operations;
- (ii) the Directors are also considering streamlined the Group's asset base by realise some of its investment properties, selling the Group's equity interests in PRC and interest in associates in PRC to strengthen the Groups' cash flows; and the existence of standby facility to the Company for the period of 18 months.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2018 on a going concern basis. The consolidated financial statements do not provide for further liabilities which might arise, and 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS(s)”)

### **New and Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Interpretation (“Int”) 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments with HKFRS 4 Insurance Contracts</i>
Amendments to Hong Kong Accounting Standards (“HKAS”) 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the 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.



## 2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- One-stop value chain services
- sales of consumable and agricultural products
- sales of grocery products
- provision of financial services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in the consolidated financial statements.

### *Summary of effects arising from initial application of HKFRS 15*

The following table summarises the impacts of transition to HKFRS 15 on accumulated losses at 1 January 2018.

	<i>HK\$'000</i>
Accumulated losses	(285,358)
Provision of financial services recognised at a point of time	<u>(1,049)</u>
Impact at 1 January 2018	<u><u>(286,407)</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2017 <i>HK\$'000</i></b>	<b>Remeasurement <i>HK\$'000</i></b>	<b>Carrying amounts under HKFRS 15 at 1 January 2018* <i>HK\$'000</i></b>
<b>Current Liabilities</b>			
Contract liabilities	–	1,335	1,335
<b>Capital and Reserves</b>			
Reserves	162,580	(1,049)	161,531
Non-controlling interest	35,582	(286)	35,296

\* The amounts in this column are before the adjustments from the application of HKFRS 9.

*Note:* As at 1 January 2018, taking into account the contract terms, performance obligations of financial service contracts should be satisfied upon completion of the service upon application of HKFRS 15. HK\$1,335,000 related to progress billings of financial service contracts previously recognised as revenue were remeasured to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of profit or loss and other comprehensive income for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

*Impact on the consolidated statement of financial position*

	<b>As reported <i>HK\$'000</i></b>	<b>Adjustments <i>HK\$'000</i></b>	<b>Amounts without application of HKFRS 15 <i>HK\$'000</i></b>
<b>Current Liabilities</b>			
Contract liabilities	1,940	(1,940)	–
<b>Capital and Reserves</b>			
Reserves	292,586	1,524	294,110
Non-controlling interests	36,616	416	37,032

*Impact on the consolidated statement of profit and loss and other comprehensive income*

	<b>As reported</b>	<b>Adjustments</b>	<b>Amounts without application of HKFRS 15</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue			
– Good and services	44,696	605	45,301
Gross profit	13,619	605	14,224
<b>Loss before tax</b>	(59,522)	605	(58,917)
<b>Loss for the year</b>	(60,506)	605	(59,901)
<b>Total comprehensive expense for the year</b>	(84,767)	605	(84,162)

*Impact on the consolidated statement of cash flows*

	<b>As reported</b>	<b>Adjustments</b>	<b>Amounts without application of HKFRS 15</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Loss before tax	(59,522)	605	(58,917)
Operating cashflows before movements in working capital	(33,095)	605	(32,490)
Increase in contract liabilities	605	(605)	–

*Note:* Taking into account the contract terms, upon application of HKFRS 15, the performance obligations of financial service contracts should be satisfied upon completion of the service. This change in accounting policies resulted in a reduction of revenue by HK\$605,000 for the year ended 31 December 2018.

## 2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied *HKFRS 9 Financial Instruments*. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in the consolidated financial statements,

### Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available- for-sale	Financial assets at FVTPL required by HKAS 39/ HKFRS 9	Equity instruments at fair value through other comprehensive income ("FVTOCI")	Financial assets at amortised cost (previously classified as loans and receivables)	Financial liabilities at amortised cost	Deferred tax assets/ liabilities	Investment revaluation reserve	Accumulated losses	Non- controlling interests
NOTES	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Closing balance at 31 December 2017 – HKAS 39	59,180	40,328	–	89,413	147,694	21,533	5,064	(285,358)	35,582
Effect arising from initial application of HKFRS 15	–	–	–	–	–	–	–	(1,049)	(286)
Effect arising from initial application of HKFRS 9:									
<b>Reclassification</b>									
From available-for-sale	(a) (59,180)	–	59,180	–	–	–	–	–	–
<b>Remeasurement</b>									
Impairment under ECL model	(b) –	–	–	(10,993)	–	–	–	(10,993)	–
From cost less impairment to fair value	(a) –	–	(8,280)	–	–	–	(8,780)	500	–
Opening balance at 1 January 2018	–	40,328	50,900	78,420	147,694	21,533	(3,716)	(296,900)	35,296

(a) *Available-for-sale (“AFS”) investments*

From AFS equity investments to fair value through other comprehensive income (“FVTOCI”)

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK\$59,180,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK\$41,116,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value losses of HK\$8,280,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018. The fair value gains of HK\$5,064,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve. In addition, impairment losses previously recognised of HK\$500,000 were transferred from accumulated losses to investment revaluation reserve as at 1 January 2018.

(b) *Financial assets at FVTPL*

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK\$40,328,000 of the Group’s investments were held for trading and continued to be measured at FVTPL.

There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(c) *Impairment under ECL model*

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances exceeding HK\$1,000,000, the remaining balances are grouped based on past due analysis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including bank balances, loan and interest receivables and loans to associates, are assessed on 12-month ECL (the “12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, additional credit loss allowance of HK\$10,993,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective asset.

All loss allowances, including trade and other receivables, loan and interest receivables and loans to associates, as at 31 December 2017 reconciled to the opening loss allowances as at 1 January 2018 are as follows:

	<b>Trade receivables</b>	<b>Other receivables</b>	<b>Loan and interest receivables</b>	<b>Loans to associates</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 December 2017 – HKAS 39	302	1,006	4,149	–
Amounts remeasured through opening accumulated	106	34	10,418	435
At 1 January 2018	408	1,040	14,567	435

### **2.3 HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration**

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Group is required to determine the date of transaction for each payment or receipt of advance consideration.

On initial application, the Group applied the interpretation prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the current year, i.e. 1 January 2018.

For foreign currency denominated advance considerations paid by the Group in relation to acquisition of investment property amounting to HK\$5,814,000, the Group recorded these advances by applying the spot exchange rate on initial recognition between the functional currency of the relevant group entity and the foreign currency. Accordingly, the application of this interpretation has had no significant impact on the amounts reported and/or disclosures set out in these consolidated financial statements.

**2.4 Impacts on opening consolidated statement of financial position arising from the application of all new standards**

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	<b>31 December</b>			<b>1 January</b>
	<b>2017</b>			<b>2018</b>
	<b>(Audited)</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>(Restated)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-Current Assets</b>				
Available-for-sale investments	59,180		(59,180)	–
Equity instruments at FVTOCI	–		50,900	50,900
<b>Current Assets</b>				
Trade and other receivables	16,498		(140)	16,358
Loan and interest receivables	48,059		(10,418)	37,641
Loans to associates	24,856		(435)	24,421
<b>Current Liabilities</b>				
Contract liabilities	–	1,335	–	1,335
<b>Capital and Reserves</b>				
Reserves	162,580	(1,049)	(19,273)	142,258
Non-controlling interests	35,582	(286)	–	35,296

## New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2019.*

<sup>2</sup> *Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2020.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2021.*

<sup>5</sup> *Effective for annual periods beginning on or after a date to be determined.*

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



### 3. REVENUE

#### A. For the year ended 31 December 2018

##### (i) Disaggregation of revenue from contracts with customers

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>Segment revenue HK\$'000</b>
One-stop value chain services	28,880
Trading of consumables and agricultural products	6,045
Trading of grocery food products	5,769
Provision of financial services	<u>4,002</u>
<b>Revenue from contracts with customers</b>	44,696
Rental income ( <i>Note</i> )	5,153
Interest income	<u>1,568</u>
<b>Total revenue</b>	<b><u><u>51,417</u></u></b>

*Note:*

	<b>2018 HK\$'000</b>	2017 HK\$'000
Gross rental income from investment properties	<b>5,153</b>	3,919
<i>Less:</i> Direct operating expenses incurred for investment properties that generated rental income during the year	<u>(863)</u>	<u>(687)</u>
Net rental income	<b><u><u>4,290</u></u></b>	<b><u><u>3,232</u></u></b>

#### 4. OTHER GAINS OR LOSSES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Bank interest income	3	8
Loan interest income on loans to associates	4,478	1,552
Dividend income from financial assets at FVTPL	1,369	288
Sundry income	520	243
Gain on disposal of a subsidiary	1,065	–
Loss on disposal of financial assets at FVTPL	–	(7,168)
Gain on fair value change of contingent consideration payable	152	1,942
Exchange gain, net	–	1,305
	<u>7,587</u>	<u>(1,830)</u>

#### 5. OPERATING SEGMENTS

Information reported to the board of Directors, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable 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 financial services

The provision of financial and investment advisory and corporate financial 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 for the year ended 31 December 2017.

## 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	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>REVENUE</b>														
External sales	<u>28,880</u>	<u>16,177</u>	<u>5,153</u>	<u>3,919</u>	<u>6,045</u>	<u>5,870</u>	<u>5,769</u>	<u>29,902</u>	<u>1,568</u>	<u>5,750</u>	<u>4,002</u>	<u>1,410</u>	<u>51,417</u>	<u>63,028</u>
Segment profit (loss)	241	(529)	16,957	34	(3,675)	(2,045)	(394)	(482)	(1,371)	6,848	(4,179)	(52)	7,579	3,774
Unallocated corporate other (loss) gain, net													7,587	(1,830)
Unallocated corporate expenses													(29,735)	(46,466)
(Decrease) increase in fair value of financial assets at FVTPL													(20,486)	(20,621)
Share of results of associates													(2,382)	2,637
Gain on disposal of subsidiaries													1,065	-
Impairment loss recognised on goodwill													-	(3,968)
Impairment loss on loans to associates													(721)	-
Impairment loss on trade and other receivables													112	-
Written-off of other receivables													(13,290)	-
Finance costs													(9,251)	(10,873)
<b>Loss before taxation</b>													<u>(59,522)</u>	<u>(77,347)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the profit earned by (loss from) 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 CODM 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b><i>Segment assets</i></b>		
One-stop value chain services	–	21
Property investment	182,718	193,917
Trading of consumables and agricultural products	6,039	5,991
Trading of grocery food products	1,961	5,361
Provision of money lending services	34,215	49,734
Provision of financial services	883	867
	<hr/>	<hr/>
Total segment assets	225,816	255,891
Unallocated corporate assets	223,603	234,990
	<hr/>	<hr/>
Consolidated assets	<b>449,419</b>	<b>490,881</b>
	<hr/> <hr/>	<hr/> <hr/>
<b><i>Segment liabilities</i></b>		
One-stop value chain services	5	29
Property investment	5,172	6,206
Trading of consumables and agricultural products	1,174	1,157
Trading of grocery food products	732	351
Provision of money lending services	403	232
Provision of financial services	2,047	357
	<hr/>	<hr/>
Total segment liabilities	9,533	8,332
Unallocated corporate liabilities	102,913	162,316
	<hr/>	<hr/>
Consolidated liabilities	<b>112,446</b>	<b>170,648</b>
	<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, loans to associates, 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 and margin loans payable.

## Geographical information

The Group's operations are located in Hong Kong, the PRC and Taiwan.

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	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	46,264	58,946	55,857	42,114
The PRC	5,153	3,919	213,072	212,942
Taiwan	–	163	19,982	22,186
	<u>51,417</u>	<u>63,028</u>	<u>288,911</u>	<u>277,242</u>

*Note:*

Non-current assets excluded 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A <sup>1</sup>	<u>24,025</u>	<u>10,378</u>
Customer B <sup>2</sup>	<u>N/A<sup>3</sup></u>	<u>10,330</u>

<sup>1</sup> Revenue from one-stop value chain services segment.

<sup>2</sup> Revenue from trading of grocery food products segment.

<sup>3</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on borrowings	3,770	4,108
Interest on other payables	277	–
Interest on margin loans payable	3,391	2,197
Effective interest expense on convertible bonds	<u>1,813</u>	<u>4,568</u>
	<u><b>9,251</b></u>	<u><b>10,873</b></u>

## 7. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	321	812
Deferred tax:		
Current year	<u>663</u>	<u>(447)</u>
	<u><b>984</b></u>	<u><b>(365)</b></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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 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 2018. No EIT is provided for the years ended 31 December 2018 and 2017 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 2018 and 2017 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:

	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
Directors' emoluments	<b>4,444</b>	9,155
Other staff costs (excluding directors' emoluments)	<b>13,423</b>	9,447
Share-based payments (excluding directors)	<b>1,059</b>	3,792
Retirement benefits scheme contributions (excluding directors)	<b>696</b>	589
	<b>19,622</b>	22,983
Auditors' remuneration		
– Audit services	<b>800</b>	830
– Non-audit services	<b>125</b>	70
Amount of inventories recognised as an expense	<b>35,245</b>	47,029
Amortisation of an intangible asset	–	1,604
Depreciation for plant and equipment	<b>2,356</b>	2,684
Loss on written-off of intangible assets	–	3,075
Loss on written-off of plant and equipment	–	382
Loss on written-off of other receivables	<b>13,290</b>	–
Write-down of inventories	<b>83</b>	–
Share-based payments to consultants	<b>631</b>	1,040
Minimum lease payments paid under operating leases in respect of office premises	<b>4,215</b>	4,297

## 9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: 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

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u><u>(68,428)</u></u>	<u><u>(71,648)</u></u>

### Number of shares

		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>710,647,717</u></u>	<u><u>605,392,545</u></u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation on 16 November 2018.

The denominator for the purpose of calculating basic and diluted loss per share in 2017 has been restated to reflect the effect of the share consolidation during the year ended 31 December 2018.

For the year ended 31 December 2018, the computation of diluted loss per share does not assume the exercise of the Company's outstanding options since their exercise would result in an antidilutive effect on the basic loss per share for the year ended 31 December 2018.

For the year ended 31 December 2017, the computation of diluted loss per share does not assume the conversion/exercise of the Company's convertible bonds and options since their conversion/exercise would result in an antidilutive effect on the basic loss per share for the year ended 31 December 2017.



## 11. TRADE AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables:		
– Trading of consumables and agricultural products	451	310
– Trading of grocery food products	1,863	4,459
– Provision of corporate financial services	731	801
	<u>3,045</u>	<u>5,570</u>
<i>Less:</i> Allowance for credit losses	(355)	(302)
	<u>2,690</u>	<u>5,268</u>
Prepayments to suppliers	<u>2,354</u>	4,333
Deposits	11,242	41,283
Other receivables	11,067	3,550
<i>Less:</i> Allowance for credit losses	(61)	(1,006)
	<u>22,248</u>	<u>43,827</u>
	<u><b>27,292</b></u>	<u><b>53,428</b></u>

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK\$2,690,000 and HK\$5,268,000 respectively.

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

The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days (2017: 0 days to 90 days). The ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates, at the end of the reporting period, which is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	1,514	2,082
31 to 90 days	70	1,146
Over 90 days	1,106	2,040
	<u>2,690</u>	<u>5,268</u>
	<u><b>2,690</b></u>	<u><b>5,268</b></u>

## 12. LOAN AND INTEREST RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fixed-rate loan and interest receivables		
– Secured	38,942	41,715
– Unsecured	<u>6,311</u>	<u>12,168</u>
	45,253	53,883
<i>Less: allowance for credit loss allowance</i>	<u>(11,038)</u>	<u>(4,149)</u>
	<u><u>34,215</u></u>	<u><u>49,734</u></u>
Analysed as:		
Current asset (within one year)	<u><u>34,215</u></u>	<u><u>48,059</u></u>
Non-current asset	<u><u>–</u></u>	<u><u>1,675</u></u>

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates are as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Fixed-rate loan receivables:		
Within 1 year	34,215	48,059
After one year but within two years	<u>–</u>	<u>1,675</u>
	<u><u>34,215</u></u>	<u><u>49,734</u></u>

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

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Effective interest rate:		
Fixed-rate loan receivables	<u><u>7% – 18%</u></u>	<u><u>7% – 18%</u></u>

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:

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
RMB	<u><u>7,731</u></u>	<u><u>28,921</u></u>

*Note:* The secured loan and interest receivables are secured by the unlisted shares, properties of the borrowers and personal guarantee. As at 31 December 2018, the fair value of collaterals held by the Group is approximately HK\$62,070,000 (2017: HK\$100,753,000).

### 13. TRADE AND OTHER PAYABLES

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade payables	<b>30</b>	151
Other payables	<u>31,021</u>	<u>35,595</u>
	<u><u>31,051</u></u>	<u><u>35,746</u></u>

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

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
0 to 30 days	<u><b>30</b></u>	<u>151</u>

#### 14. CONTRACT LIABILITIES

	<b>31 December</b> <b>2018</b> <i>HK\$'000</i>	1 January 2018* <i>HK\$'000</i>
Provision of financial service – current	<u><b>1,940</b></u>	<u>605</u>
Current	<u><b>1,940</b></u>	<u>605</u>

\* *The amounts in this column are after the adjustments from the application of HKFRS 15.*

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	<b>Provision of financial services</b> <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u><b>710</b></u>

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

#### Provision of financial services

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a deposit ranged from 33% to 50% of service fee on acceptance of the engagements.

## 15. COMPARATIVE FIGURES

During the year ended 31 December 2018, for enhancing the relevance of the presentation of the consolidated financial statements, reclassifications have been made to certain comparative figures presented in the consolidated financial statements in respect of the prior year to achieve comparability with the current year's presentation. As a result, the following line items regarding comparative figures have been amended and adjusted, together with the related notes to conform to the current year's presentations:

	<b>Previous reported</b> <i>HK\$'000</i>	<b>Reclassification</b> <i>HK\$'000</i>	<b>As restated</b> <i>HK\$'000</i>
<b>Consolidated financial statement of position</b>			
Deposit paid for acquisition of a subsidiary	–	20,000	20,000
Trade and other receivables	53,428	(20,000)	33,428
Trade and other payables	35,801	(55)	35,746
Borrowings	67,189	(10,000)	57,189
Margin loans payables	20,022	10,055	30,077

## **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 Asian Alliance (HK) CPA Limited (the independent auditor) on the Group’s annual financial statements for the year ended 31 December 2018 as set out below:

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **MATERIAL UNCERTAINTY RELATED TO GOING CONCERN**

We draw attention to Note 2 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK\$68,428,000 and had HK\$69,732,000 net cash used in operating activities for the year ended 31 December 2018. These conditions, along with other matters as set forth in Note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which 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.

The aforesaid “Note 2 to the consolidated financial statements” in the extract of the independent auditor’s report is disclosed in Note 2 to this announcement.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

During the year ended 31 December 2018, 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 2018, the Group recorded revenue of approximately HK\$51,417,000 (2017: HK\$63,028,000), representing a decrease of approximately 18.4% as compared to that of last year. Loss for the year attributable to owners of the Company amounted to approximately HK\$68,428,000 (2017: HK\$71,648,000). The basic loss per share of the Company was approximately HK9.63 cents (2017: HK11.83 cents).

### **Property Investment**

During the year ended 31 December 2017, the property investment segment reported revenue of approximately HK\$5,153,000 (2017: HK\$3,919,000), representing an increase of approximately 31.5%, as compared to the last year. At 31 December 2018, the Group held properties in the People's Republic of China (PRC), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$169,800,000 (2017: HK\$169,173,000). The portfolio's rental yield was shown in the table below.

#### ***Key performance – data of property investment***

	<b>2018</b>	2017
Average occupancy level	<b>66.6%</b>	67.2%
Average monthly rental income per square metre (sq.m)	<b><u>HK\$129</u></b>	<b><u>HK\$99</u></b>

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 2018, the one-stop value chain services segment reported a revenue of approximately HK\$28,880,000 (2017: HK\$16,177,000), representing an increase of approximately 78.5%, as compared to the last year. The increase was due to more resources was allocated to this segment.

#### ***Key performance – data of one-stop value chain services***

	<b>2018</b>	2017
Gross profit margin	<b><u>0.9%</u></b>	<b><u>2.8%</u></b>

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 2018, this business segment reported a revenue of approximately HK\$6,045,000 (2017: HK\$5,870,000). The increase in revenue was mainly due to widen customer base for reusable bags trading business.

### *Key performance – data of trading of consumables and agricultural products*

	2018	2017
Gross profit margin	<u>27.6%</u>	<u>26.4%</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 2018, this segment reported a revenue of approximately HK\$5,769,000 (2017: HK\$29,902,000).

### *Key performance – data of trading of grocery food products*

	2018	2017
Gross profit margin	<u>30.6%</u>	<u>7.8%</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 2018. Since YIHE recorded a loss of approximately HK\$146,000 instead, no shares of the Company will be issued to Hexin. Goodwill arising from acquisition of YIHE was fully impaired whereas contingent consideration was written back to the consolidated statement of profit or loss and other comprehensive income in previous financial years.

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 2018, the Group’s money lending services segment reported a revenue of approximately HK\$1,568,000 (2017: HK\$5,750,000). 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***

	<b>2018</b>	2017
Interest rate earned	<b><u>9.8%</u></b>	<u>12.7%</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 2018, the Group has two operating subsidiaries, China AF Asset Management Limited, a company holding Type 9 (asset management) licence under Securities and Futures Commission (the “SFC”), and China AF Corporate Finance Limited, a company holding Type 6 (advising on corporate finance) licence under the SFC. This segment reported a revenue for the year ended 31 December of 2018 of HK\$4,002,000 (contribution to revenue for the year ended 31 December of 2017 of HK\$1,410,000).

## 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\$52,346,000 as at 31 December 2018, representing approximately 11.58% of the Company's total assets (31 December 2017: approximately HK\$99,508,000, representing approximately 20.27% 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 December 2018 and 31 December 2017:

## For the year ended 31 December 2018 and year ended 31 December 2017

	Investment cost		Number of shares held		% of shareholding		Market value		% of market value to the Group's total assets		Change in fair value		Gain/(loss) on disposal		Dividends received	
	For the year ended 31 December 2018	For the year ended 31 December 2017	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017	As at 31 December 2018	As at 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
	Approximately HK\$'000		Approximately		Approximately		Approximately HK\$'000		Approximately		Approximately HK\$'000		Approximately		Approximately HK\$'000	
<b>Financial assets at fair value through profit or loss</b>																
China Fortune Financial Group Limited (Note 1)	-	33,478	-	104,620,000	-	1.48%	-	17,681	-	3.60%	(5,860)	(15,798)	N/A	(1,479)	-	-
Madison Holdings Group Limited (Note 2)	5,575	18,402	3,260,000	8,680,000	0.08%	0.22%	3,358	14,843	0.74%	3.02%	(5,303)	(3,559)	N/A	-	197	-
Others (Note 3 and Note 7)	20,706	9,068	N/A	NA	N/A	NA	17,004	7,804	3.76%	1.59%	(9,323)	(1,264)	N/A	(5,689)	771	20
	<b>26,281</b>	<b>60,948</b>					<b>20,362</b>	<b>40,328</b>	<b>4.50%</b>	<b>8.21%</b>	<b>(20,486)</b>	<b>(20,621)</b>	<b>N/A</b>	<b>(7,168)</b>	<b>968</b>	<b>20</b>
<b>Equity instruments at fair value through other comprehensive income</b>																
China Industrial Securities International Financial Group Limited (Note 4)	8,422	13,000	8,668,451	13,380,451	0.22%	0.33%	10,142	18,064	2.25%	3.68%	2,512	5,064	N/A	-	401	268
Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) (Note 5)	40,005	40,005	11,250,000	11,250,000	4.99%	4.99%	21,833	40,005	4.82%	8.15%	(18,172)	-	N/A	-	-	-
Others (Note 6)	1,111	1,111	N/A	NA	N/A	NA	9	1,111	0.01%	0.23%	(1,102)	-	N/A	-	-	-
	<b>49,538</b>	<b>54,116</b>					<b>31,984</b>	<b>59,180</b>	<b>7.08%</b>	<b>12.06%</b>	<b>(16,762)</b>	<b>5,064</b>	<b>N/A</b>	<b>-</b>	<b>401</b>	<b>268</b>
<b>Total</b>	<b>75,819</b>	<b>115,064</b>					<b>52,346</b>	<b>99,508</b>	<b>11.58%</b>	<b>20.27%</b>	<b>(37,248)</b>	<b>(15,557)</b>	<b>N/A</b>	<b>(7,168)</b>	<b>1,369</b>	<b>288</b>

*Notes:*

1. China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange, together with its subsidiaries are principally engaged in securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.
2. Madison Holdings Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine; and (ii) the provision of financial services.
3. These are all listed companies on the Stock Exchange for the year ended 31 December 2018, together with their subsidiaries are mainly engaged in provision of financial services such as securities and brokerage trading as well as provision of loans and financing services. There are also companies engaging in printing and packaging industry, equine services, building fire safety services, and asphalt plants industry.
4. China Industrial Securities International Financial Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in the provision of brokerage services, loans and financing services, investment banking services, asset management services and financial products and investments.
5. 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.
6. This is another listed company on Shanghai Equity Exchange in the PRC which is principally engaged in selling comfort shoes and insoles, as well as foot related products.
7. These are all listed companies on the Stock Exchange for the year ended 31 December 2018, together with their subsidiaries are mainly engaged in the financial industry such as securities trading, provision of financial guarantee services and loans financing business. There are also companies engaging in properties investments, motor trading industry and internet technology related service industry.

## **Environmental Policies and Performance**

The Board admits the responsibility to environmental protection. Over the years, the Group has committed to reduce waste and pollution with a view of effective and efficient resources utilisation in the office spaces. Staff are reminded from time to time the Group's direction in this respect.

\* *For identification purposes only*

## **Compliance with the Relevant Laws and Regulations**

The Group's main business and operation work within common trade practice environment and the Group endeavours to comply with all legal and regulatory requirements. In relation to the human resources, the Group is committed to comply with the requirements of the applicable laws and regulations, such as the Employment Ordinance, ordinances in relation to discrimination, the Privacy Ordinance and the Minimum Wage Ordinance. The Group also values good conduct of the employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees. On the corporate level, the Group continuously complies with the requirements under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Ordinance ("SFO"), such as disclosure of interests, corporate governance, Model Code for Securities Transactions by Directors of the Listed Issuers and "Inside Information" disclosure. The Group employs legal and financial advisers when undergoing acquisitions or other corporate exercises. During the year ended 31 December 2018, there was no material breach of or non-compliance with the applicable laws and rules by the Group.

## **Relationships with Employees, Customers and Suppliers**

The Group recognises importance of retaining talents to ensure the ongoing execution of business plans. The Group has established all-rounded staff policy and guidelines for staff welfare, provide a safe workplace, and support the development of talent. The Group provides incentives to its employees based on their performance. The Group encouraged employees to update their work-related knowledge, skill by providing training offered by external organisations. During the year ended 31 December 2018, the employee voluntary turnover rate of the Group was kept at a low level. During the year, no violation of labour law was recorded. The key customers of the Group include the long term trading customers and tenants of the investment properties. The key suppliers of the Group are the suppliers of the trading business. The Group has established long term and solid business relationship with the suppliers which ensures stable supply and quality products which meet customers' demand. During the year, there was no material dispute between the Group and the customers/suppliers.

## **FINANCIAL REVIEW**

For the year ended 31 December 2018, the Group recorded a revenue of approximately HK\$51,417,000 (2017: HK\$63,028,000), representing a decrease of approximately 18.3% as compared to that of last year. The decrease was mainly due to the Group has ceased the trading business of "Mengniu" and "Jinlongyu".

Cost of sales for the year under review was approximately HK\$37,798,000 (2017: HK\$47,716,000), representing a decrease of approximately 20.8% as compared to that of last year. The decrease of cost of sales was in line with the drop in revenue. The decrease in absolute amount of gross profit was due to decrease interest income from provision of money lending services.

Administrative expenses for the year under review was approximately HK\$63,626,000 (2017: HK\$58,635,000), representing a increase of approximately 8.5% as compared to that of last year. The increase was mainly attributable to increase in written off the other receivables of approximately HK\$13,300,000, which was partially offset by decrease in share option expense of approximately HK\$6,300,000, amortisation of approximately HK\$1,600,000, legal and professional fees of approximately HK\$1,900,000.

Finance costs for the year under review was approximately HK\$9,251,000 (2017: HK\$10,873,000), representing an decrease of approximately 14.9% as compared to that of last year. The decrease was mainly due to decrease in effective interest expense on convertible bonds of approximately HK\$2,755,000.

The Group recorded a loss for the year attributable to owners of the Company in the amount of approximately HK\$68,428,000 (2017: HK\$71,648,000). Basic loss per share of the Company decreased from HK11.83 cents for the year ended 31 December 2017 to HK9.63 cents for the year ended 31 December 2018.

### **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 2018, the bank balances and cash of the Group was approximately HK\$17,870,000 (2017: HK\$5,111,000).

At 31 December 2018, the net assets of the Group was approximately HK\$336,973,000 (2017: HK\$320,233,000) and the net current assets was approximately HK\$38,100,000 (2017: HK\$3,669,000).

### **Gearing Ratio**

At 31 December 2018, the total liabilities of the Group amounted to approximately HK\$112,446,000 (2017: HK\$170,648,000), which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loans payable, other loan payable, amount due to non-controlling interests, income tax payable and deferred tax liabilities. These liabilities are denominated in Hong Kong dollars, Renminbi and New Taiwan Dollars.

At 31 December 2018, the Group had total assets of approximately HK\$449,419,000 (2017: HK\$490,881,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, turned to 0.25 as at 31 December 2018 (2017: 0.35).

## **Segmental Information**

An analysis of the Group's performance for the year ended 31 December 2018 by business segment is set out in note 5 to this announcement.

## **Employees and Remuneration Policies**

As at 31 December 2018, the Group had 45 (2017: 44) total number of full-time employees. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2018 were approximately HK\$20,213,000 in total (2017: HK\$24,023,000). 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 2018, the Company's issued ordinary share capital was HK\$7,771,324.30 divided into 777,132,430 shares of HK\$0.01 each ("Shares") (2017: HK\$122,071,049.76 divided into 6,103,552,488 shares of HK\$0.02 each).

## **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***

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 I 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 proposed 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 were approximately HK\$99,600,000 and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$96,900,000. Further details of the placing are set out in the announcements of the Company dated 9 March 2018 and 29 March 2018. The net proceeds from placing were used as follows:

<b>Period under review</b>	<b>Aggregate amount used during the period under review</b>	<b>Purpose of usage</b>	<b>Remaining balance of placing proceeds as the last date of the period under review</b>
Since completion of placing on 29 March 2018 up to and including 31 December 2018	HK\$12.0 million	Redemption of Convertible Bond	HK\$11.5 million
	HK\$23.9 million	Repayment of other debts	Nil
	HK\$44.5 million	Partial repayment of loan	Nil
	HK\$5.0 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. The Company had 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. The amount was fully settled with interest on 29 March 2018. Convertible Bond IV expired on 30 September 2018 and the Company received a redemption notice from the Convertible Bond IV holder for the principal amount of HK\$23,500,000 as at the date of this announcement HK\$10,500,000 remained outstanding.

## Significant Investments, Acquisitions and Disposal

### *Disposal of an investment property*

On 10 August 2018 and 26 October 2018, the Group entered into and signed two sale and purchase agreements with an independent third party to dispose of three of the investment properties held by the Group which is located in the PRC with fair value of approximately RMB9,330,000 (equivalent to approximately HK\$11,186,000) as at 31 December 2017. Such property was classified as investment properties in the consolidated statement of financial position as at 31 December 2017. The transaction was completed on 30 September 2018 and 31 October 2018 with a loss of disposal between the sale proceed over the cost of acquisition of approximately HK\$3,177,000.

### *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. 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. 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 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.

### ***Acquisition of Max Joint Asia Pacific (China) Limited***

On 27 August 2018, Guo Weifu as the Vendor, King Noble Holdings Limited as the Purchaser, an indirect wholly-owned subsidiary of the Company and the Company entered into the sale and purchase agreement. Under and pursuant to the terms and conditions of 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 entire issued capital of Max Joint Asia Pacific (China) Limited, at the Consideration of HK\$46,500,000.

Upon Completion and subject to audit, the Target Company and its wholly-owned subsidiaries are expected to be accounted for as indirect wholly-owned subsidiaries of the Company, and Higreen Agricultural and its subsidiary are expected to be accounted for as investments to the Company.

At Completion, the Company shall, and the Purchaser shall procure the Company to, allot and issue 465,000,000 new Shares at the Issue Price out of the General Mandate and free from any encumbrance whatsoever to and in favour of the Vendor for full and final settlement and discharge of the Consideration.

The Target Company is an investment holding company incorporated in Hong Kong with limited liability, which holds 15% equity interest in Bengbu Higreen Agricultural Product Logistics Company Limited (“Higreen Agricultural”) Higreen Agricultural is established in PRC with limited liability. It operates a large-scale agricultural products logistics center in Bengbu of Anhui Province, PRC for wholesale of agricultural products, which also handles processing, packaging, storage, direct selling, delivery, auction, e-commerce, food safety testing and central settlement. Upon Completion, Higreen Agricultural shall be held as to 15% indirectly by the Company.

The acquisition has been completed on 25 October 2018. An aggregate of 465,000,000 consideration share were allotted and issued at the issue price of HK\$0.10 each.

## ***Disposal of Shenzhen City Jintaiyuan Investment Development Company Limited***

On 29 November 2018, Shenzhen City Chenqi Enterprise Consultancy Management Company Limited (“Chenqi”), an indirect wholly-owned subsidiary of the Company, and the transferee, an independent third party, entered into the equity transfer agreement pursuant to which the Chenqi has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Shenzhen City Jintaiyuan Investment Development Company Limited (“Jintaiyuan”) at the consideration of RMB21,000,000 (being approximately HK\$23,635,500).

Jintaiyuan is an investment holding company incorporated in the PRC with limited liability, which holds 15% equity interest in Bengbu Higreen Agricultural Product Logistics Company Limited\* (蚌埠海吉星農產品物流有限公司) (“Higreen Agricultural”).

On 14 December 2018, the Transferee and Chenqi entered into a memorandum in relation to the disposal. According to the Equity Transfer Agreement, the Transferee is obligated to pay a total consideration of RMB21,000,000 upon the completion date. As at the date of this announcement the Transferee has already paid Chenqi a total of RMB14,000,000. The final payment of RMB7,000,000 was to be paid on the equity change registration completion date. The equity change registration completion date took place on 11 December 2018. At the request of the Transferee and after arm’s length negotiations between the Parties, the Parties have entered into the memorandum to extend the final payment of RMB7,000,000 to be paid within six months upon the signing of the memorandum.

### **Charges on Group’s Assets**

As at 31 December 2018, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$8,230,000 (2017: HK\$9,233,000). Investments held for trading have been pledged to brokers’ account to obtain a margin loan financing of approximately HK\$18,199,000 (31 December 2017: HK\$20,022,000). Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from a money lender in the PRC of approximately HK\$17,386,000 (31 December 2017: HK\$47,956,000).

### **Contingent Liabilities**

At 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

### **Capital Commitments**

At 31 December 2018, the Group had capital commitment amounting to approximately HK\$20,000,000 (2017: HK\$35,000,000).

## **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**

### ***(a) Strategic cooperation agreement with Jinan Rongchao Financial Services Limited (“Jinan Rongchao”) and Gulfstream Capital Limited (“Gulfstream Capital”)***

On 13 January 2019, China Agricultural Finance Group Limited, a wholly-owned subsidiary of the Company, entered into a strategic cooperation agreement with Jinan Rongchao and Gulfstream Capital Limited (collectively, the “Parties”). To promote the comprehensive cooperation among the Parties in the financial sector, the Parties propose to cooperate strategically to establish a nationwide integrated financial services system platform for micro and small-sized enterprises in the PRC by fully utilising their respective advantages in various aspects such as resources and teams of experts.

### ***(b) Variation to terms of acquisition of 50% of the entire issued share capital of Delightful Hope Limited (“DHL Acquisition”)***

On 19 March 2019, Skyline Top Limited and Yardley Wealth Management Limited (“Yardley”) entered into a the supplemental agreement, pursuant to which the deadline of the completion of DHL Acquisition has been extended from 17 January 2019 to 31 March 2020 and Skyline Top Limited shall pay interest to Yardley at 8% per annum on the remaining balance payment during the period from 18 January 2018 to the date of completion. The detail of the variation to terms was disclosed in the announcement of the Company dated 14 January 2019.

### ***(c) Renewal of trademark licence agreement and the renewed sole distributorship agreement***

On 25 March 2019, Right Ocean Asia Limited and Chan Kee Holdings Limited renewed the trademark licence agreement and the sole distributorship agreement for a period of 3 years. Details of the renewal was disclosed in the announcement of the Company dated 25 March 2019.



## **OUTLOOK AND PROSPECTS**

Looking ahead, the global economic activities are expected continue to strengthen in 2019. Benefit from economic growth in PRC, a firm US economy and low interest rate, the Hong Kong economic outlook in 2019 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 better than previous year. 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 has disposed certain commercial properties in Quanzhou City, Fujian Province, the PRC.

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 mainly consisted of re-usable bags trading business. The business segment demonstrates growth 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 service segment continue to make contribution to the Group's revenue. The Group will re-visit its 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 2019, the Group hope 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 2018.

## **DIVIDENDS**

The Directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

## **REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the year ended 31 December 2018, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

## **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 2018, 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 2018.

## **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 risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Yuen Wai Man, Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min. Ms. Yuen Wai Man is the chairman of the Audit Committee.

The audited financial results of the Group for the year ended 31 December 2018 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 2019

*As at the date of this announcement, the executive Directors are 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.*