



中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

**(1) DELAY IN PUBLICATION
OF AUDITED RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020 AND
DESPATCH OF THE 2020 ANNUAL REPORT; AND
(2) UNAUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

**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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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.

DELAY IN PUBLICATION OF AUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 AND DESPATCH OF THE 2020 ANNUAL REPORT

The board of directors of the Company (the “Board”) wishes to inform the shareholders of the Company (the “Shareholders”) and hereby announces that:

Pursuant to Rules 18.03, 18.48A, 14.49 and 18.50C, the Company is required to publish a preliminary results for the year ended 31 December 2020 (the “2020 Annual Results”) and send the annual report for the same period (the “2020 Annual Report”) to the Shareholders no later than three months after the end of the financial year i.e. 31 March 2021.

Affected by the novel coronavirus disease (COVID-19) pandemic, the auditors of the Company cannot complete the audit of the consolidated financial statements of the Group for the year ended 31 December 2020 by 31 March 2021. There are certain outstanding matters raised by the auditor of the Company that the Company is in the process of addressing. Such outstanding matters including but not limited to valuations of the assets of the Group, accounts of the PRC associated companies and subsidiaries, impairment assessment of financial assets and external confirmations.

It is expected that the audit field work of the auditors will continue. The Company is in constant liaison with the auditors to monitor the situation. This will inevitably cause delay in the publication and despatch of the 2020 Annual Results announcement and the 2020 Annual Report of the Group. It is expected that the publication of the audited 2020 Annual Results and the publication and dispatch of the 2020 Annual Report will be delayed to a date falling on or before 30 April 2021. The Company will publish further announcement(s) to inform the Shareholders and potential investors of the Company of any material developments in connection with the audited 2020 Annual Results and the 2020 Annual Report as and when appropriate.

UNAUDITED RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CAUTION STATEMENT

The board of directors (the “Board”) of the Company announces the unaudited consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31 December 2020 based on the management account of the Group together with the comparative figures for the year ended 31 December 2019 which has been agreed by the Audit Committee of the Company.

Please note that the figures presented in this preliminary results announcement might materially affected, among others, by finalization of the financial statements of the Group’s PRC associated companies and subsidiaries, the impairment assessments under the expected credit loss model, recognition of gain or loss in changes in fair value of investment properties, impairment assessment of financial assets of the Group, recognition of impairment loss on interest in associates (if any) and share of results of associates. Depends on the finalization of the financial statements of the Group’s PRC associated companies and subsidiaries, results of the assessments and recognition of gain or loss, respective profit or loss and balance sheet items in the unaudited financial statements might need to be adjusted accordingly.

The unaudited consolidated financial results based on the management account of the Group hereby published have not been agreed with the Company’s auditors. The Company will make appropriate announcements and disclosures as and when it is aware of any material adjustment to the unaudited consolidated financial results.

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (collectively, the “Group”) recorded unaudited revenue of approximately HK\$36,337,000 for the year ended 31 December 2020, representing an increase of approximately 14.1% as compared with approximately HK\$31,836,000 for the last year.

The unaudited loss for the year attributable to owners of the Company for the year ended 31 December 2020 was approximately HK\$38,967,000 (2019: HK\$99,411,000). The basic loss per share of the Company for the year ended 31 December 2020 was approximately HK4.18 cents (2019: HK12.37 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 2020.

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

For the year ended 31 December 2020

		2020	2019
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Revenue			
Goods and services		34,690	27,334
Leases		266	3,222
Interest under effective interest method		1,381	1,280
		<u> </u>	<u> </u>
Total revenue	4	36,337	31,836
Cost of sales		<u>(30,434)</u>	<u>(20,658)</u>
Gross profit		5,903	11,178
Other gains or losses		4,545	3,159
Impairment losses under expected credit loss model, net of reversal		582	3,536
Loss from changes in fair value of investment properties, net		(10,527)	(29,207)
Gains (loss) from changes in fair value of financial assets at fair value through profit or loss		7,278	(10,077)
Impairment loss on goodwill		–	(3,547)
Impairment loss on interest in associates		–	(2,619)
Selling and distribution expenses		(1,174)	(1,394)
Administrative expenses		(42,489)	(47,968)
Share of results of associates		5,593	(17,263)
Finance costs	5	<u>(6,983)</u>	<u>(11,945)</u>
Loss before tax		(37,272)	(106,147)
Income tax (expense) credit	6	<u>(1,679)</u>	<u>6,669</u>
Loss for the year	7	<u>(38,951)</u>	<u>(99,478)</u>

		2020	2019
	NOTES	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Other comprehensive expense:			
<i>Item 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		—	(15,410)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		15,912	(7,957)
Other comprehensive expense for the year, net of income tax		15,912	(23,367)
Total comprehensive expense for the year		<u>(23,039)</u>	<u>(122,845)</u>
Loss for the year attributable to:			
Owners of the Company		(38,967)	(99,411)
Non-controlling interests		16	(67)
		<u>(38,951)</u>	<u>(99,478)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(26,970)	(122,721)
Non-controlling interests		3,931	(124)
		<u>(23,039)</u>	<u>(112,845)</u>
LOSS PER SHARE			
Basic and diluted (<i>HK cents</i>)	9	<u>(4.18)</u>	<u>(12.37)</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Plant and equipment		2,107	2,948
Right-of-use assets		1,010	3,550
Investment properties		18,983	59,183
Goodwill		725	725
Interests in associates		59,142	53,549
Equity instruments at fair value through other comprehensive income		9,571	9,571
Deposits paid		69,559	59,768
		<u>161,097</u>	<u>189,294</u>
CURRENT ASSETS			
Inventories, finished goods		69	908
Trade and other receivables	10	59,220	24,244
Loan and interest receivables		10,151	21,148
Loans to associates		45,770	31,559
Financial assets at fair value through profit or loss		20,243	7,685
Bank balances and cash		2,961	2,416
		<u>138,414</u>	<u>87,960</u>
Assets classified as held for sale		–	77,610
		<u>138,414</u>	<u>165,570</u>
CURRENT LIABILITIES			
Trade and other payables	11	32,031	40,362
Contract liabilities		105	–
Amounts due to non-controlling interests		2,745	2,995
Borrowings		41,318	43,366
Margin loans payable		6,514	6,012
Lease liabilities		1,024	1,107
Financial guarantee contract		827	727
Income tax payable		94	244
		<u>84,658</u>	<u>94,813</u>
NET CURRENT ASSETS		<u>53,756</u>	<u>70,757</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>214,853</u>	<u>260,051</u>

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Borrowings	–	19,612
Lease liabilities	–	2,636
Deferred tax liabilities	15,301	15,212
	15,301	37,460
NET ASSETS	199,552	222,591
CAPITAL AND RESERVES		
Share capital	9,325	9,325
Reserves	148,804	176,792
Equity attributable to owners of the Company	158,129	186,117
Non-controlling interests	41,423	36,474
TOTAL EQUITY	199,552	222,591

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. 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 Room 20/F., Wanchai Central Building, 89 Lockhart 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 unaudited consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company. Other than those subsidiaries established in the People’s Republic of China (the “PRC”) and incorporated in Taiwan whose functional currencies are Renminbi (“RMB”) and New Taiwan dollars (“NTD”) respectively, the functional currency of the Company and its subsidiaries is HK\$.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to Hong Kong Accounting Standards (“HKAS”) 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The Group has elected to apply the optional concentration test on the acquisition of L & T Development (HK) Limited and concluded that such acquisition does not constitute a business.

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 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ²

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

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

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

During the year ended 31 December 2020, the Group reported loss attributable to owner of the Company of approximately HK\$38,967,000 and had net operating cash outflows during the year ended 31 December 2020. 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 and formulate appropriate cost saving measures to improve the performance and the cash flows of the Group’s operations; and
- (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 Group’s cash flows and utilise the existing standby facility granted to the Company whenever appropriate.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2020 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.

4. REVENUE

(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.

	Segment revenue	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
One-stop value chain services	4,143	7,282
Trading of consumables and agricultural products		
– Reusable bags	6,149	5,030
– Recycle plastics	8,226	6,644
Trading of grocery food products		
– Ramen and udon	5,247	5,182
– Frozen foods and others	9,491	–
Provision of financial services	1,434	3,196
	<hr/>	<hr/>
Revenue from contracts with customers	34,690	27,334
	<hr/>	<hr/>
Leases	266	3,222
Interest under effective interest method	1,381	1,280
	<hr/>	<hr/>
Total revenue	36,337	31,836
	<hr/> <hr/>	<hr/> <hr/>

(ii) Leases

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
For operating leases:		
Lease payments that are fixed	266	3,222
	<hr/> <hr/>	<hr/> <hr/>

5. FINANCE COSTS

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Interest on borrowings	3,291	6,798
Reimbursement of finance costs borne by lenders	1,580	1,515
Interest on lease liabilities	322	88
Interest on margin loans payables	721	852
Interest on balancing payment for DHL Acquisition	861	2,692
Interest on default payment	208	–
	<u>6,983</u>	<u>11,945</u>

6. INCOME TAX EXPENSE (CREDIT)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current tax	49	140
– Over-provision in prior years	(97)	(333)
	(48)	(193)
PRC Enterprise Income Tax (“EIT”)		
– Current tax	1,398	–
Taiwan Profit-Seeking Enterprise Income Tax		
– Current tax	329	–
	1,679	(193)
Deferred tax:		
Current year	–	(6,476)
	<u>1,679</u>	<u>(6,669)</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, the Hong Kong profits tax of the qualifying group entity 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 2020 and 2019 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 2020 and 2019 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2020 HK\$’000 (Unaudited)	2019 HK\$’000 (Audited)
Directors’ emoluments (included share-based payments to a director)	3,476	3,176
Other staff costs (excluding directors’ emoluments)	14,486	13,634
Retirement benefits scheme contributions (excluding directors)	449	632
	18,411	17,442
Auditors’ remuneration:		
– Audit services	770	1,034
– Non-audit services	262	–
Amount of inventories recognised as an expense	29,646	20,638
Depreciation for plant and equipment	2,621	2,017
Depreciation of right-of-use assets	785	360
Loss on written-off of trade receivables	–	821
Loss on written-off of other receivables	2,813	–
Loss on written-off of loan and interest receivables	–	191
Foreign exchange losses, net	1,400	703
Share-based payments to consultants	1,500	–

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: Nil).

9. 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:

	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Audited)
Loss		
Loss for the year attributable to owners of the Company	<u>(38,967)</u>	<u>(99,411)</u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>932,552,430</u>	<u>803,532,540</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

For the years ended 31 December 2020 and 2019, the computation of diluted loss per share does not assume the exercise of the Company's options since their exercise would result in an antidilutive effect on the basic loss per share for the years ended 31 December 2020 and 2019.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade receivables arise from contracts with customers	11,722	5,414
<i>Less:</i> Allowance for credit losses	<u>(152)</u>	<u>(142)</u>
	<u>11,570</u>	<u>5,272</u>
Prepayments to suppliers	<u>8,268</u>	<u>354</u>
Deposits	1,473	5,176
Other receivables	<u>37,911</u>	<u>13,564</u>
	39,384	18,740
<i>Less:</i> Allowance for credit losses	<u>(2)</u>	<u>(122)</u>
	<u>39,382</u>	<u>18,618</u>
	<u><u>59,220</u></u>	<u><u>24,244</u></u>

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$2,690,000.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
0 to 30 days	7,282	3,536
31 to 90 days	4,040	1,730
Over 90 days	<u>248</u>	<u>6</u>
	<u><u>11,570</u></u>	<u><u>5,272</u></u>

11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
Trade payables	9,329	3,803
Other payables	<u>22,702</u>	<u>36,559</u>
	<u>32,031</u>	<u>40,362</u>

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

	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Audited)
0 to 30 days	6,912	2,096
31 to 90 days	2,288	1,587
Over 90 days	<u>129</u>	<u>120</u>
	<u>9,329</u>	<u>3,803</u>

12. EVENTS AFTER THE REPORTING PERIOD

During the period from 21 August 2020 to 9 February 2021, the Group has disposed of certain listed securities on the open market for the consideration of HK\$3,163,700 (before transaction costs). Please refer to the announcement of the Company dated 11 February 2021.

During the period from 11 March 2021 to 18 March 2021, the Group has disposed of certain listed securities on the open market for the consideration of HK\$3,902,400 (before transaction costs). Please refer to the announcement of the Company dated 19 March 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the year ended 31 December 2020, 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 2020, the Group recorded revenue of approximately HK\$36,337,000 (2019: HK\$31,836,000), representing an increase of approximately 14.1% as compared to that of last year. Loss for the year attributable to owners of the Company amounted to approximately HK\$38,967,000 (2019: HK\$99,411,000). The basic loss per share of the Company was approximately HK4.18 cents (2019: HK12.37 cents).

Property Investment

During the year ended 31 December 2020, the property investment segment reported revenue of approximately HK\$266,000 (2019: HK\$3,222,000), representing a decrease of approximately 91.7%, as compared to the last year. The decrease was due to decrease in rental income from commercial office. At 31 December 2020, the Group held properties in the People’s Republic of China (PRC), and Hong Kong for investment purpose amounted to approximately HK\$18,983,000 (2019: HK\$136,793,000). The portfolio’s rental yield was shown in the table below.

Key performance – data of property investment

	2020	2019
Average occupancy level	14.3%	56.3%
Average monthly rental income per square metre (sq.m)	<u>HK\$157</u>	<u>HK\$89</u>

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

One-stop Value Chain Services

During the year ended 31 December 2020, the one-stop value chain services segment reported a revenue of approximately HK\$4,143,000 (2019: HK\$7,282,000), representing a decrease of approximately 43.1%, as compared to the last year.

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

Facing this predicament, the Directors started to search for new business opportunities. They diversify the One-Stop Value Chain Services Business and expand into other related fields. During the second half year of 2020, the Group started to enter into the gaming industry to sell gaming related products.

Key performance – data of one-stop value chain services

	2020	2019
Gross profit margin	<u>1.9%</u>	<u>0.9%</u>

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

Trading of Consumables and Agricultural Products

During the year ended 31 December 2020, this business segment reported a revenue of approximately HK\$14,375,000 (2019: HK\$11,674,000), representing an increase of approximately 23.1%, as compared to the last year. This business segment is mainly composed of re-usable bags trading business and bulk commodities trading in resin plastics (ABS) and polyethylene (PE) which commenced last year. It is regarded that taking part in the bulk commodities trading business would broaden the income stream of the Group and helps the management to actively identify plastic related business opportunities. Further to the COVID-19 pandemic, the Group distributes the local manufactured surgical masks of teenager masks and adult masks under the brand of MIHK (“MIHK”). Inno-Bag Limited, a subsidiary of the Group, is the official authorised sale agent of MIHK and is selling the masks to hospitals, educational institutions, medical or related institutions as well as other retail customers.

Key performance – data of trading of consumables and agricultural products

	2020	2019
Gross profit margin	<u>10.5%</u>	<u>15.4%</u>

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

Trading of Grocery Food Products

In the trading of grocery food products segment, the Group is the sole and exclusive distributor for the sale and distribution of ramen and udon products under the brand of “Nittin” (日丁) in Hong Kong, Macau and Taiwan. The outbreak of COVID-19 pandemic also makes frozen foods became popular. The Directors decided to grip this chance to expand the product mix in this segment and entered into the frozen food industry. Starting from the second half year of 2020, after careful analysed on current market situation and environment, the Group introduced new products including imported frozen seafood.

During the Reporting Period, the segment reported a revenue of approximately HK\$14,738,000 (2019: HK\$5,182,000), representing an increase of approximately 184.4% as compared with the last corresponding period.

The trademark licence agreement and the sole distributorship agreement for ramen and udon were renewed for a period of 3 years on 25 March 2019. Details of the renewal was disclosed in the announcement of the Company date at 25 March 2019.

Key performance – data of trading of grocery food products

	2020	2019
Gross profit margin	<u>8.4%</u>	<u>31.6%</u>

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

Provision of money lending services

During the year ended 31 December 2020, the Group’s money lending services segment reported a revenue of approximately HK\$1,381,000 (2019: HK\$1,280,000), representing an increase of approximately 7.9% as compared with the last corresponding period. With majority of the loans were secured by un-listed company shares, the Group has put its effort in maintaining, developing and expanding its Money Lending Business.

Key performance – loan interest data

	2020	2019
Interest rate earned	<u>15.2%</u>	<u>11.7%</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 2020, the Group has a licensed operating subsidiary, China AF Asset Management Limited, a company holding Type 4 (advising on securities) and Type 9 (asset management) licence under Securities and Futures Commission (the “SFC”). The Group also provides financial consultancy services. This segment reported a revenue for the year ended 31 December of 2020 of HK\$1,434,000 (2019: HK\$3,196,000), representing a decrease of approximately 55.1% as compared with last corresponding period. It was mainly due to the corporate finance division operating under the name of China AF Corporate Finance Limited ceased to operate and has made an application to SFC to revoke its licence in September 2019. The license was revoked in May 2020.

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\$29,814,000 as at 31 December 2020, representing approximately 9.95% of the Company’s total assets (31 December 2019: approximately HK\$17,256,000, representing approximately 4.86% 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 2020 and 31 December 2019:

For the year ended 31 December 2020 and year ended 31 December 2019

Name of investee company	Balances shares of investment cost		Number of shares held		% of shareholding		Market value		% of market value to the Group's total assets		Change in fair value and exchange differences		Dividends received	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
	Approximately HK\$'000				Approximately		Approximately HK\$'000		Approximately		Approximately HK\$'000		Approximately HK\$'000	
Financial assets at fair value through profit or loss														
Others (Note 1)	12,965	13,265	N/A	N/A	N/A	N/A	20,243	7,685	6.75%	2.16%	7,278	(10,077)	-	283
	12,965	13,625					20,243	7,685	6.75%	2.16%	7,278	(10,077)	-	283
Equity instruments at fair value through other comprehensive income														
Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) (Note 2)	9,571	21,833	11,250,000	11,250,000	4.99%	4.99%	9,571	9,571	3.20%	2.70%	-	(12,262)	-	-
Others (Note 3)	-	-	N/A	N/A	N/A	N/A	-	-	N/A	-	-	(3,379)	-	-
	9,571	21,833					9,571	9,571	3.20%	2.70%	-	(15,641)	-	-
Total	22,536	35,098					29,814	17,256	9.95%	4.86%	7,278	(25,718)	-	283

Notes:

1. These are all listed companies on the Stock Exchange. For the year ended 31 December 2020, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of loan financing services, the provision of auction of alcoholic beverages business, provision of QR codes on product packaging and solutions and online advertising display services, the manufacture and sale of packaging products, investments and trading in securities, money lending, properties investments, securities trading, trading business and dealing in, advising on securities and asset management, futures and options broking, EPC and consultancy operations, financing and solar power generation, provision of secured financing services and microfinance services, shipping and logistics, design manufacture, supply and installation of passenger vehicle leather upholstery, supply and installation of vehicle electronic accessories.
2. 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.
3. 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.

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.

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 2020, there was no material breach of or non-compliance with the applicable laws and rules by the Group.

* For identification purposes only

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 2020, 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 2020, the Group recorded an unaudited revenue of approximately HK\$36,337,000 (2019: HK\$31,836,000), representing an increase of approximately 14.1% as compared to that of last year.

Cost of sales for the year under review was approximately HK\$30,434,000 (2019: HK\$20,658,000), representing an increase of approximately 47.3% as compared to that of last year. The increase of cost of sales was mainly due to increase plastics and frozen foods volume.

Administrative expenses for the year under review was approximately HK\$42,489,000 (2019: HK\$47,968,000), representing a decrease of approximately 11.4% as compared to that of last year. The decrease was mainly attributable to decrease in legal and professional fees, consultancy fee, staff salary, rental, entertainment and local and overseas travelling.

Finance costs for the year under review was approximately HK\$6,983,000 (2019: HK\$11,945,000), representing a decrease of approximately 41.5% as compared to that of last year. The decrease was mainly due to decrease in interest-paid and payable for borrowings.

The Group recorded an unaudited loss for the year attributable to owners of the Company in the amount of approximately HK\$38,967,000 (2019: HK\$99,411,000). Basic loss per share of the Company decreased from HK12.37 cents for the year ended 31 December 2019 to HK4.18 cents for the year ended 31 December 2020.

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 2020, the bank balances and cash of the Group was approximately HK\$2,961,000 (2019: HK\$2,416,000).

At 31 December 2020, the net assets of the Group was approximately HK\$199,552,000 (2019: HK\$222,591,000) and the net current assets was approximately HK\$53,756,000 (2019: HK\$70,757,000).

Gearing Ratio

At 31 December 2020, the total liabilities of the Group amounted to approximately HK\$99,959,000 (2019: HK\$132,273,000), which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loans payable, lease liabilities, financial guarantee contract, 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 2020, the Group had total assets of approximately HK\$299,511,000 (2019: HK\$354,864,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, turned to 0.33 as at 31 December 2020 (2019: 0.37).

Employees and Remuneration Policies

As at 31 December 2020, the Group had 36 (2019: 47) total number of full-time employees. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2020 were approximately HK\$18,411,000 in total (2019: HK\$17,442,000). 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 2020, the Company's issued ordinary share capital was HK\$9,325,524.30 divided into 932,552,430 shares of HK\$0.01 each ("Shares") (2019: HK\$9,325,524.30 divided into 932,552,430 shares of HK\$0.01 each).

Fund Raising Activities

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

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 part 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) (a) the convertible bonds (“Convertible Bond III”) in the principal amount of HK\$23,000,000; and (b) 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 and Convertible Bond IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of Convertible Bond III and 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 amount remained outstanding after expiry and the Company has agreed with the Convertible Bond III holder to pay an interest of 5% per annum from 1 April 2017 up to the date of settlement, the amount was fully settled with interest on 29 March 2018.

Conversion 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. The redemption was settled by cash and a deed of settlement with the bond holder.

Placing of new shares

On 20 September 2019, the Company entered into the placing agreement with a placing agent who would place on a best effort basis of a maximum of 155,426,486 placing shares under general mandate of the Company at HK\$0.055 per placing shares. The placing was completed on 31 October 2019. Net proceeds from the placing are expected to be approximately HK\$8.4 million and will be used as general working capital and for repayment of loans. Details are set out in the announcements issued by the Company on 20 September 2019 and 31 October 2019.

Period under review	Aggregate amount used during the period under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the period under review
Since completion of placing on 31 October 2019 up to and including 31 December 2020	HK\$8.4 million	Repayment of loans and general working capital	Nil

On 20 February 2018, the Company entered into the placing agreement with a placing agent, it is proposed that the placing agent would propose to offer for subscription of 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 (“Placing II”). 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:

Period under review	Aggregate amount used during the period under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the period under review
Since completion of placing on 29 March 2018 up to and including 31 December 2020	HK\$20.0 million	Redemption of Convertible Bond	Nil
	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

Significant Investments, Acquisitions and Disposal of investment properties

Disposal of investment properties

On 30 July 2020, the Vendor, being an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Properties at the Consideration of NT\$72,380,000 (equivalent to approximately HK\$19,088,000). The Properties is located on 12th Floor, No. 35, Lane 235, Jingmaoer Road, Nangang District, Taipei City, Taiwan and with two car parking spaces numbered 166 and 167 in the building. The Disposal was completed in October 2020.

Please refer to the announcements of the Company dated 30 July 2020, 20 August 2020 and 8 October 2020 and circular of the Company dated 21 September 2020.

On 29 October 2019, the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the properties located in Shenzhen City, Guangdong Province, the PRC, at the consideration of RMB69,449,988 (equivalent to approximately HK\$77,325,617 based on the exchange rate note of RMB1 to HK\$1.1134 quoted on 31 January 2020). The Disposal was duly completed in 2020.

Please refer to the announcements of the Company dated 29 October 2019, 19 November 2019, 19 December 2019, 17 January 2020, 12 February 2020, 24 February 2020, 25 February 2020, 10 March 2020, 2 April 2020 and 9 April 2020 and circular of the Company dated 23 March 2020.

The Disposal constitutes a very substantial disposal of the Company under the GEM Listing Rules. A special general meeting was held on 9 April 2020, the Disposal was duly passed by the shareholders by way of poll.

On 20 May 2020, the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase a house located in Shenzhen City, Guangdong Province, the PRC at a consideration of RMB9,800,000 (equivalent to approximately HK\$11,022,000). The Disposal was duly completed.

On 30 August 2019 and 3 September 2019, the Group entered into and signed seven sale and purchase agreements with independent third parties to dispose seven of the investment properties held by the Group which are all located in the PRC with fair value of approximately RMB2,304,000 (equivalent to approximately HK\$2,623,000) as at 31 December 2018. The transactions were duly completed in 2019.

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 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\$13,302,601 remained outstanding.

Disposal of subsidiaries

On 2 July 2020, Luster Shine Limited (“Luster Shine”), a wholly-owned subsidiary of the Company, and the Transferee, an independent third party, entered into a sale and purchase agreement pursuant to which Luster Shine has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Ever Chance Management Limited (“Ever Chance”) at a cash consideration of HK\$1. Ever Chance is a company incorporated in Hong Kong with limited liability. The disposal was completed on 2 July 2020.

On 7 April 2020, Fantastic Alliance Investments Limited (“Fantastic”), a wholly-owned subsidiary of the Company, and the Transferee, an independent third party, entered into a sale and purchase agreement pursuant to which Fantastic has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Sino Eco Green Limited (“Sino”) at a cash consideration of HK\$1,000,000. Sino is a company incorporated in Hong Kong with limited liability. The disposal was completed on 29 May 2020.

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 the 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. The Transferee paid the Chenqi a total of RMB14,000,000 and a 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. The final payment was subsequent settled in 2020.

Litigation

Ever Chance Management Limited (“Ever Chance”), was indirect wholly-owned subsidiary of the Company, has received a petition to wind-up by Harbour View 23 Limited (the “Petitioner”). The Petitioner as Plaintiff commenced civil proceedings against Ever Chance as Defendant at the Lands Tribunal under a Tenancy Agreement date 24th November 2016. Upon application by the Petitioner, judgment was granted against Ever Chance and it was adjudged that Ever Chance do pay the Petitioner (a) outstanding rent in the sum of HK\$618,960.00; (b) arrears of rent/mesne profits in the sum of HK\$144,424.00; (c) management fees in the sum of HK\$81,300.40; (d) rates in the sum of HK\$23,845.11; (d) air-conditioning charges in the sum of HK\$50,384.34; (e) adjudged interest from overdue rent at the rate of 1.5% per month in the sum of HK\$23,468.90; and (f) assessed costs to the application in the sum of HK\$3,200.00. The Petition has been presented to the Court and shall be heard on 26 August 2020. Ever Chance was disposed of on 2 July 2020.

Shenzhen Shengshi Fuqiang Technology Company Limited (Shengshi Fuqiang), a non-wholly owned subsidiary of the Company, has received a claim for lost of assets at the sum of approximately RMB1.70 million. The Plaintiff commenced civil proceedings against Shengshi Fuqiang and filed a statement that they cannot retrieve the furniture and equipment from the premises owned by Shengshi Fuqiang and was leased to the Plaintiff, and therefore Shengshi Fuqiang should compensate for the Plaintiff’s lost. Shengshi Fuqiang has made a counter-claim against the Plaintiff for outstanding rent and delay in deliver vacant possession at the sum of approximately RMB980,000. The case was first heard in Court on 26 February 2021 and waiting for the Court to arrange the second hearing.

Charges on Group’s Assets

As at 31 December 2020, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$Nil (2019: HK\$7,608,000). Investments held for trading have been pledged to brokers’ account to obtain a margin loan financing of approximately HK\$6,516,000 (31 December 2019: HK\$6,012,000). Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from money lender in Hong Kong and bank in the PRC of approximately HK\$12,300,000 (2019: HK\$21,158,000). Furthermore, the Group had charges on certain investment properties in the PRC of approximately HK\$Nil (2019: 6,683,000) as securities for a term loan-granted to an associate company.

Contingent Liabilities and Guarantee

At 31 December 2020, the Group has provided financial guarantee to Gold Wide Holdings Limited, which is classified as an interest in associate in the financial statements of the Group, for a term loan with a principal amount of RMB13 million, bearing interest of 8% per annum for a period of three years up to 14 January 2022. (2019: RMB13 million).

Capital Commitments

At 31 December 2020, the Group had capital commitment amounting to approximately HK\$61,198,000 (2019: HK\$55,582,000).

Exposure to Fluctuation in Exchange Rates

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

Events after the Reporting Period

Details are set out in note 12 to the unaudited consolidated financial statements.

OUTLOOK AND PROSPECTS

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

One-stop value chain services

The economy of Hong Kong has been hit hard by the COVID-19 pandemic during the start of 2020 until now. Other than using more effort to discover new potential customers and provide more varieties to attract customers, the Directors are always striking to find other way out and explore other industries, such as the gaming industry, so as to sustain its business during this tough atmosphere in Hong Kong. The entering into of the gaming industry was originally the temporary thought of the Company. However, the Directors noticed that this industry is indeed a profitable industry even during this difficult period. The Company will not rule out the possibility of developing in the gaming industry in the future and may devote more resources in developing gaming related products. Overall, the Directors believe that after the recovery of COVID-19 pandemic, the economy of Hong Kong is expected to turnaround, and performance of this business will be improved.

Property investment

The Group originally has few property investments in the Greater China Region, especially in Hong Kong, the PRC and Taiwan. References are made to the announcements and circulars of the Company dated 29 October 2019, 24 February 2020, 23 March 2020, 30 July 2020 and 21 September 2020 in relation to, among other things, the disposal of properties. In view of the tension between USA and China, as well as the pessimistic global atmosphere, since 2019, the Group has started to dispose its properties to avoid the further uncertain environment of the property market.

In addition to the adverse environment, in 2020, the global economy was seriously affected by the outbreak of the COVID-19 pandemic. There were big-scale lockdowns in different countries that led to global economic downturns.

In light of the above, the Directors believe that the global downturn will bring negative impacts on the property market in 2021. The unfavorable economic atmosphere will in turn affect the people's decision in investing of properties, thus the prospect of the property market was unfavorable.

Trading of consumables and agricultural products

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

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

The Group has contributed to the society continually by way of donation, including but not limited to donating free masks to schools and charity organizations and sponsor various campaigns in relation to environmental protection. Hence, the Group will endeavor to promote its brand through online marketing, sponsoring various environmentally friendly campaigns and participate in more brand building activities in Hong Kong and China.

With the help of these multi-dimensional advertisements and promotions especially through online marketing, the Group will be benefited from having more market shares in the field, expanding its customer base in Hong Kong, as well as building up reputation and goodwill in Hong Kong. Most importantly, the revenue and profit this segment are expected to be in an upward trend.

In the near future, the Group would like to expand the Consumables Trading Business to the PRC by advertising through social media and sponsoring various events to be held by local reputable environmental friendly organisations.

Trading of grocery food products

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

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

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

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

Provision of money lending services

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

Provision of financial services

The performance of the Financial Services Business was not satisfactory. In addition to the global economic downturn and recession in Hong Kong due to the COVID-19, Hong Kong's gross domestic product contracted significantly in 2020, the global economy upheaval resulting the global financial industry takes time to recover. Further to the United State sanctions imposed to Hong Kong on August 2020 and the tension between United State and China, Hong Kong financial institutions face the unknown threats that might harm the Hong Kong economy.

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

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 2020.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2020 (2019: Nil).

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2020, 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 2020, 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 2020.

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 financial information in this announcement has not been audited or reviewed by the Company’s auditors, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the year ended 31 December 2020 and is of the opinion that such results complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SCOPE OF WORK PERFORMED BY AUDITOR

The financial figures in respect of this preliminary announcement of the Group’s unaudited results for the year ended 31 December 2020 have not been agreed by the Company’s auditors, Asian Alliance (HK) CPA Limited. The work performed by the Company’s auditors in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company’s auditor on this announcement.

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>).

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

Hong Kong, 31 March 2021

As at the date of this announcement, the executive Directors are Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; the non-executive Director is Mr. Leung Chung Hee and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.