



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

FURTHER ANNOUNCEMENT OF ANNUAL RESULTS 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.

References are made to the announcements of China Eco-Farming Limited (the “Company”) dated 31 March 2021, in relation to, among others, the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2020 (the “Unaudited Preliminary Announcement”). Terms used herein shall have the same meanings as those defined in the Unaudited Preliminary Announcement unless the context requires otherwise.

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s auditors, Asian Alliance (HK) CPA Limited (“Asian Alliance”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Asian Alliance in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards of Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance on the preliminary announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue			
Goods and services		33,549	27,334
Leases		266	3,222
Interest under effective interest method		1,381	1,280
		<u>35,196</u>	<u>31,836</u>
Total revenue	4	35,196	31,836
Cost of sales		<u>(29,365)</u>	<u>(20,658)</u>
Gross profit		5,831	11,178
Other gains or losses		10,061	2,968
Impairment losses under expected credit loss model, net of reversal		(10,781)	3,536
Loss from changes in fair value of investment properties, net		(11,673)	(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		(855)	(2,619)
Selling and distribution expenses		(1,174)	(1,394)
Administrative expenses		(54,386)	(47,777)
Share of results of associates		(9,258)	(17,263)
Finance costs	5	<u>(8,455)</u>	<u>(11,945)</u>
Loss before tax		(73,412)	(106,147)
Income tax credit	6	<u>14,528</u>	<u>6,669</u>
Loss for the year	7	<u>(58,884)</u>	<u>(99,478)</u>

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (expense) income:		
<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	(2,206)	(15,410)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>11,834</u>	<u>(7,957)</u>
Other comprehensive income (expense) for the year, net of income tax	<u>9,628</u>	<u>(23,367)</u>
Total comprehensive expense for the year	<u>(49,256)</u>	<u>(122,845)</u>
Loss for the year attributable to:		
Owners of the Company	(58,845)	(99,411)
Non-controlling interests	<u>(39)</u>	<u>(67)</u>
	<u>(58,884)</u>	<u>(99,478)</u>
Total comprehensive expense for the year attributable to:		
Owners of the Company	(48,322)	(122,721)
Non-controlling interests	<u>(934)</u>	<u>(124)</u>
	<u>(49,256)</u>	<u>(122,845)</u>
LOSS PER SHARE		
Basic and diluted (<i>HK cents</i>)	9	
	<u>(6.31)</u>	<u>(12.37)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>NOTES</i>	2020 HK\$'000	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		1,387	2,948
Right-of-use assets		1,010	3,550
Investment properties		18,367	59,183
Goodwill		725	725
Intangible asset		758	–
Interests in associates		43,436	53,549
Equity instruments at fair value through other comprehensive income		7,871	9,571
Deposits paid		86,152	59,768
Other receivables	10	12,459	–
Loans to associates		7,075	–
		<u>179,240</u>	<u>189,294</u>
CURRENT ASSETS			
Inventories, finished goods		69	908
Trade and other receivables	10	34,900	24,244
Loan and interest receivables		2,876	21,148
Loans to associates		29,836	31,559
Financial assets at fair value through profit or loss		20,243	7,685
Restricted bank balance		10	–
Bank balances and cash		2,951	2,416
		<u>90,885</u>	<u>87,960</u>
Assets classified as held for sale		–	77,610
		<u>90,885</u>	<u>165,570</u>
CURRENT LIABILITIES			
Trade and other payables	11	30,857	40,362
Contract liabilities		1,246	–
Amounts due to non-controlling interests		2,745	2,995
Borrowings		41,318	43,366
Margin loans payable		6,514	6,012
Lease liabilities		517	1,107
Financial guarantee contract		10,306	727
Income tax payable		47	244
		<u>93,550</u>	<u>94,813</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(2,665)</u>	<u>70,757</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>176,575</u>	<u>260,051</u>

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Borrowings	–	19,612
Lease liabilities	506	2,636
Deferred tax liabilities	934	15,212
	<u>1,440</u>	<u>37,460</u>
NET ASSETS	<u>175,135</u>	<u>222,591</u>
CAPITAL AND RESERVES		
Share capital	9,325	9,325
Reserves	129,250	176,792
	<u>138,575</u>	<u>186,117</u>
Equity attributable to owners of the Company	138,575	186,117
Non-controlling interests	36,560	36,474
	<u>175,135</u>	<u>222,591</u>
TOTAL EQUITY	<u>175,135</u>	<u>222,591</u>

NOTES TO THE 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 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 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 incurred loss attributable to the owners of the Company of approximately HK\$58,845,000 and had approximately HK\$56,410,000 net cash used in operating activities for the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$2,665,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on 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>
One-stop value chain services	3,002	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	33,549	27,334
	<hr/>	<hr/>
Leases	266	3,222
Interest under effective interest method	1,381	1,280
	<hr/>	<hr/>
Total revenue	35,196	31,836
	<hr/> <hr/>	<hr/> <hr/>

(ii) Leases

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

5. FINANCE COSTS

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings	4,762	6,798
Reimbursement of finance costs borne by lenders	1,579	1,515
Interest on lease liabilities	322	88
Interest on margin loans payables	723	852
Interest on balancing payment for the acquisition of further interest in subsidiaries	861	2,692
Others	208	–
	<u>8,455</u>	<u>11,945</u>

6. INCOME TAX CREDIT

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	14	140
– Over-provision in prior years	(108)	(333)
	<u>(94)</u>	<u>(193)</u>
Deferred tax:		
– Current year	(14,434)	(6,476)
	<u>(14,528)</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 Taiwan 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 (crediting):

	2020	2019
	HK\$’000	HK\$’000
Directors’ emoluments	3,276	3,176
Other staff costs (excluding directors’ emoluments)		
Salaries and other benefits	14,494	13,634
Retirement benefits scheme contributions	449	632
	<u>18,219</u>	<u>17,442</u>
Total staff costs		
Auditors’ remuneration:		
– Audit services	970	1,034
– Non-audit services	262	–
Amount of inventories recognised as an expense	28,540	20,638
Depreciation for plant and equipment	1,294	2,017
Depreciation of right-of-use assets	786	360
Loss on written-off of trade receivables	–	821
Loss on written-off of other receivables	2,934	–
Loss on settlement of loan to associates	133	–
Share-based payments to consultants	1,500	–
	<u>1,500</u>	<u>–</u>

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	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u><u>(58,845)</u></u>	<u><u>(99,411)</u></u>
	2020	2019
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u><u>932,552,430</u></u>	<u><u>803,532,540</u></u>

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

For the year ended 31 December 2020, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the year ended 31 December 2020.

For the year ended 31 December 2019, the computation of diluted loss per share does not assume the exercise of the Company's share options since their exercise would result in decrease in loss per share for the years ended 31 December 2019.

10. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables arise from contracts with customers	11,722	5,414
<i>Less:</i> Allowance for credit losses	<u>(401)</u>	<u>(142)</u>
	<u>11,321</u>	<u>5,272</u>
Prepayments to suppliers	<u>9,899</u>	<u>354</u>
Deposits	685	5,176
Other receivables	<u>26,105</u>	<u>13,564</u>
	26,790	18,740
<i>Less:</i> Allowance for credit losses	<u>(651)</u>	<u>(122)</u>
	<u>26,139</u>	<u>18,618</u>
	<u>47,359</u>	<u>24,244</u>
Analysed for reporting purposes as:		
Current asset	34,900	24,244
Non-current asset	<u>12,459</u>	<u>–</u>
	<u>47,359</u>	<u>24,244</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>	2019 <i>HK\$'000</i>
0 to 30 days	6,917	3,536
31 to 90 days	4,028	1,730
Over 90 days	<u>376</u>	<u>6</u>
	<u>11,321</u>	<u>5,272</u>

11. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	9,054	3,803
Other payables	<u>21,803</u>	<u>36,559</u>
	<u><u>30,857</u></u>	<u><u>40,362</u></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>	2019 <i>HK\$'000</i>
0 to 30 days	6,636	2,096
31 to 90 days	2,288	1,587
Over 90 days	<u>130</u>	<u>120</u>
	<u><u>9,054</u></u>	<u><u>3,803</u></u>

12. EVENTS AFTER THE REPORTING PERIOD

In March 2021, Shenzhen Shengshi Fuqiang Technology Co., Ltd.* (“Shengshi Fuqiang”), a non-wholly owned subsidiary of the Company, has agreed to purchase and Fuyu Zhonghe Xinnong Market Real Estate Co., (“Fuyu”) Ltd., an associate of the Company, has agreed to transfer certain properties located in the PRC as to settled all the loan and interest receivables due from Fuyu. As at 31 December 2020, the loan and interest receivables due from Fuyu amounted to approximately RMB27,442,000 (equivalent to approximately HK\$32,709,000).

13. COMPARATIVE FIGURES

During the year ended 31 December 2020, 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:

	Previous reported <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	As restated <i>HK\$'000</i>
Consolidated statement of profit or loss and other comprehensive income			
Other gains or losses	3,159	(191)	2,968
Administrative expenses	<u>(47,968)</u>	<u>191</u>	<u>(47,777)</u>

* *English name for identification only*

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 2020 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 2020, 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 3 to the consolidated financial statements, which indicates that the Group incurred loss attributable to the owners of the Company of approximately HK\$58,845,000 and had approximately HK\$56,410,000 net cash used in operating activities for the year ended 31 December 2020 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$2,665,000. These conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid “Note 3 to the consolidated financial statements” in the extract of the independent auditor’s report is disclosed in Note 3 to this announcement.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since financial information contained in the Unaudited Preliminary Announcement was neither audited nor agreed with Asian Alliance as at the date of the publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are principal details and reasons for the material differences in such financial information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i> (Audited)	2020 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	NOTES
Revenue				
Goods and services	33,549	34,690	(1,141)	1
Leases	266	266	–	
Interest under effective interest method	1,381	1,381	–	
Total revenue	35,196	36,337	(1,141)	1
Cost of sales	(29,365)	(30,434)	1,069	1
Gross profit	5,831	5,903	(72)	1
Other gains or losses	10,061	4,545	5,516	2
Impairment losses under expected credit loss model, net of reversal	(10,781)	582	(11,363)	3
Loss from changes in fair value of investment properties, net	(11,673)	(10,527)	(1,146)	4
Gains (loss) from changes in fair value of financial assets at fair value through profit or loss	7,278	7,278	–	
Impairment loss on goodwill	–	–	–	
Impairment loss on interest in associates	(855)	–	(855)	5
Selling and distribution expenses	(1,174)	(1,174)	–	
Administrative expenses	(54,386)	(42,489)	(11,897)	6
Share of results of associates	(9,258)	5,593	(14,851)	7
Finance costs	(8,455)	(6,983)	(1,472)	8

	2020 HK\$'000 (Audited)	2020 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	<i>NOTES</i>
Loss before tax	(73,412)	(37,272)	(36,140)	
Income tax (expense) credit	<u>14,528</u>	<u>(1,679)</u>	<u>16,207</u>	9
Loss for the year	<u>(58,884)</u>	<u>(38,951)</u>	<u>(19,933)</u>	
Other comprehensive income (expense): <i>Item that will not be reclassified</i> <i>to profit or loss:</i>				
Fair value loss on investments in equity instruments at fair value through other comprehensive income	(2,206)	–	(2,206)	10
<i>Item that may be reclassified subsequently</i> <i>to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	<u>11,834</u>	<u>15,912</u>	<u>(4,078)</u>	11
Other comprehensive income (expense) for the year, net of income tax	<u>9,628</u>	<u>15,912</u>	<u>(6,284)</u>	
Total comprehensive expense for the year	<u>(49,256)</u>	<u>(23,039)</u>	<u>(26,217)</u>	
Loss for the year attributable to:				
Owners of the Company	(58,845)	(38,967)	(19,878)	
Non-controlling interests	<u>(39)</u>	<u>16</u>	<u>(55)</u>	
	<u>(58,884)</u>	<u>(38,951)</u>	<u>(19,933)</u>	
Total comprehensive expense for the year attributable to:				
Owners of the Company	(48,322)	(26,970)	(21,352)	
Non-controlling interests	<u>(934)</u>	<u>3,931</u>	<u>(4,865)</u>	
	<u>(49,256)</u>	<u>(23,039)</u>	<u>(26,217)</u>	
LOSS PER SHARE				
Basic and diluted (<i>HK cents</i>)	<u>(6.31)</u>	<u>(4.18)</u>	<u>(2.13)</u>	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	2020 <i>HK\$'000</i> (Audited)	2020 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	<i>NOTES</i>
NON-CURRENT ASSETS				
Plant and equipment	1,387	2,107	(720)	12
Right-of-use assets	1,010	1,010	–	
Investment properties	18,367	18,983	(616)	13
Goodwill	725	725	–	
Intangible asset	758	–	758	12
Interests in associates	43,436	59,142	(15,706)	5&7
Equity instruments at fair value through other comprehensive income	7,871	9,571	(1,700)	14
Deposits paid	86,152	69,559	16,593	15
Other receivables	12,459	–	12,459	16
Loans to associates	7,075	–	7,075	17
	<u>179,240</u>	<u>161,097</u>	<u>18,143</u>	
CURRENT ASSETS				
Inventories, finished goods	69	69	–	
Trade and other receivables	34,900	59,220	(24,320)	16
Loan and interest receivables	2,876	10,151	(7,275)	18
Loans to associates	29,836	45,770	(15,934)	17
Financial assets at fair value through profit or loss	20,243	20,243	–	
Restricted bank balance	10	–	10	19
Bank balances and cash	2,951	2,961	(10)	19
	<u>90,885</u>	<u>138,414</u>	<u>(47,529)</u>	
Assets classified as held for sale	–	–	–	
	<u>90,885</u>	<u>138,414</u>	<u>(47,529)</u>	
CURRENT LIABILITIES				
Trade and other payables	30,857	32,031	(1,174)	1
Contract liabilities	1,246	105	1,141	1
Amounts due to non-controlling interests	2,745	2,745	–	
Borrowings	41,318	41,318	–	
Margin loans payable	6,514	6,514	–	
Lease liabilities	517	1,024	(507)	20
Financial guarantee contract	10,306	827	9,479	21
Income tax payable	47	94	(47)	22
	<u>93,550</u>	<u>84,658</u>	<u>8,892</u>	
NET CURRENT ASSETS	<u>(2,665)</u>	<u>53,756</u>	<u>(56,421)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>176,575</u>	<u>214,853</u>	<u>(38,278)</u>	

	2020 HK\$'000 (Audited)	2020 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	<i>NOTES</i>
NON-CURRENT LIABILITIES				
Borrowings	–	–	–	
Lease liabilities	506	–	506	20
Deferred tax liabilities	934	15,301	(14,367)	9
	<u>1,440</u>	<u>15,301</u>	<u>(13,861)</u>	
NET ASSETS	<u>175,135</u>	<u>199,552</u>	<u>(24,417)</u>	
CAPITAL AND RESERVES				
Share capital	9,325	9,325	–	
Reserves	129,250	148,804	(19,554)	
Equity attributable to owners of the Company	138,575	158,129	(19,554)	
Non-controlling interests	36,560	41,423	(4,863)	
TOTAL EQUITY	<u>175,135</u>	<u>199,552</u>	<u>(24,417)</u>	

Notes:

- Revenue in the amount of HK\$1,141,000 was adjusted and reclassified to contract liabilities after examination of cut-off. Certain goods was invoiced before but delivered after financial year ended. Related cost of sales was adjusted accordingly.
- The material difference of other gains or losses was mainly due to recognition of the other income for gain on settlement of loan and interest receivables and understatement of loan interest income.
- The differences were a result of impairment assessment of the Group's trade receivables, other receivables, loan and interest receivables, loan to associates and financial guarantee contract after reassessment by valuer.
- The difference was a result upon finalisation of the valuation of the Group's investment properties.
- Interest in associates are accounted for using the equity method in these consolidated financial statements. Upon final assessment of the carrying amount of these associates, HK\$855,000 was impaired on interest in associates.
- The difference was mainly arising from reclassification of foreign exchange differences from foreign exchange reserves, decoration expenses and property agency commission, provision for compensation expense and overstatement of provision for depreciation expenses.

7. The difference was mainly arising from the finalisation of financial statements of the Group's PRC associated companies.
8. The difference was mainly arising from understatement of interest expenses.
9. The difference was mainly arising from net reversal of deferred tax upon disposal of investment properties in the PRC.
10. The fair value loss of HK\$2,206,000 represented the result of the fair value assessment of the Group's investments in unlisted shares in the PRC after reassessment by valuer.
11. The difference was a result of upon finalisation of financial statements of the Group's PRC subsidiaries, associates and equity investment.
12. The difference was mainly arising from reclassification of a motor vehicle license of HK\$758,000 from plant and equipment to intangible asset and reversal of the related depreciation.
13. The differences resulted from a decrease of approximately HK\$600,000 in loss from changes in fair value of investment properties after reassessment by valuer.
14. The differences resulted from a decrease of approximately HK\$1,700,000 in fair value loss of the Group's investments in unlisted shares in the PRC after reassessment by valuer.
15. The difference was mainly arising from reclassification of a loan to associate and certain loan and interest receivables to deposits paid which was a result of settlement of these loans by acquisition of investment properties in PRC.
16. The difference of trade and other receivables was mainly arising from reclassification of an amount from due from current accounts of the Group and exchange reserve, and reclassification of certain other receivables to non-current assets.
17. The difference of loan to associates was mainly arising from overprovision of loan interest income of HK\$4,398,000, underprovision of exchange difference of HK\$6,869,000 and reclassification of deposits paid for acquisition of investment properties in PRC of HK\$3,720,000 and reclassification part of the loans from current assets to non-current assets.
18. The difference was mainly arising from a result upon finalisation of impairment assessment under the expected credit loss model of all borrowers.
19. The difference was mainly arising from reclassification of HK\$10,000 from bank balances and cash to restricted bank balance.
20. The difference was mainly arising from reclassification of lease liabilities of HK\$507,000 from current liabilities to non-current liabilities.
21. The differences resulted from an increase of approximately HK\$9,479,000 in allowance for expected credit losses after reassessment by valuer.
22. The difference was mainly arising from reversal of overprovision of income tax.

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 2020 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, 30 April 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.