



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

FURTHER ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board 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 Listed Company Information” 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 30 March 2022, in relation to, among others, the unaudited annual results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 (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 2021 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 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	4		
Goods and services		73,050	33,549
Leases		–	266
Interest under effective interest method		217	1,381
		<u>73,267</u>	<u>35,196</u>
Total revenue		73,267	35,196
Cost of sales		<u>(72,411)</u>	<u>(29,365)</u>
Gross profit		856	5,831
Other income, gains or losses		1,842	10,061
Impairment losses under expected credit loss model, net of reversal		(10,629)	(10,781)
Loss from changes in fair value of investment properties, net		(1,678)	(11,673)
Gain from changes in fair value of financial assets at fair value through profit or loss		3,019	7,278
Impairment loss recognised on goodwill		(725)	–
Impairment loss recognised on interests in associates		–	(855)
Impairment loss recognised on deposits paid		(5,445)	–
Selling and distribution expenses		(870)	(1,174)
Administrative expenses		(32,458)	(54,386)
Share of results of associates		247	(9,258)
Finance costs	5	<u>(6,279)</u>	<u>(8,455)</u>
Loss before tax		(52,120)	(73,412)
Income tax (expense) credit	6	<u>(500)</u>	<u>14,528</u>
Loss for the year	7	<u>(52,620)</u>	<u>(58,884)</u>

	<i>NOTES</i>	2021 HK\$'000	2020 HK\$'000
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		<u>(812)</u>	<u>(2,206)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,611	11,834
Release of cumulative exchange reserve upon disposal of foreign operations		<u>1,043</u>	<u>–</u>
		<u>2,654</u>	<u>11,834</u>
Other comprehensive income for the year, net of income tax		<u>1,842</u>	<u>9,628</u>
Total comprehensive expense for the year		<u>(50,778)</u>	<u>(49,256)</u>
Loss for the year attributable to:			
Owners of the Company		(51,270)	(58,845)
Non-controlling interests		<u>(1,350)</u>	<u>(39)</u>
		<u>(52,620)</u>	<u>(58,884)</u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(49,819)	(48,322)
Non-controlling interests		<u>(959)</u>	<u>(934)</u>
		<u>(50,778)</u>	<u>(49,256)</u>
			(Restated)
LOSS PER SHARE			
Basic and diluted (<i>HK cents</i>)	9	<u>(53.10)</u>	<u>(63.10)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Plant and equipment		810	1,387
Right-of-use assets		382	1,010
Investment properties		16,869	18,367
Goodwill		–	725
Intangible asset		758	758
Interests in associates		30,137	43,436
Equity instruments at fair value through other comprehensive income		7,261	7,871
Deposits paid		108,996	86,152
Other receivables	10	–	12,459
Loans to associates		–	7,075
		<u>165,213</u>	<u>179,240</u>
CURRENT ASSETS			
Inventories		2,716	69
Trade and other receivables	10	39,141	34,900
Loan and interest receivables		1,935	2,876
Loans to associates		3,826	29,836
Financial assets at fair value through profit or loss		8,780	20,243
Restricted bank balance		705	10
Bank balances and cash		2,850	2,951
		<u>59,953</u>	<u>90,885</u>
Assets classified as held for sale		<u>13,547</u>	<u>–</u>
		<u>73,500</u>	<u>90,885</u>
CURRENT LIABILITIES			
Trade and other payables	11	42,201	30,857
Contract liabilities		2,504	1,246
Amounts due to non-controlling interests		3,645	2,745
Borrowings		41,040	41,318
Margin loans payable		6,090	6,514
Lease liabilities		506	517
Financial guarantee contract		12,102	10,306
Income tax payable		55	47
		<u>108,143</u>	<u>93,550</u>
NET CURRENT LIABILITIES		<u>(34,643)</u>	<u>(2,665)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>130,570</u>	<u>176,575</u>

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	–	506
Deferred tax liabilities	<u>1,390</u>	<u>934</u>
	<u>1,390</u>	<u>1,440</u>
NET ASSETS	<u>129,180</u>	<u>175,135</u>
CAPITAL AND RESERVES		
Share capital	1,060	9,325
Reserves	<u>87,214</u>	<u>129,250</u>
Equity attributable to owners of the Company	88,274	138,575
Non-controlling interests	<u>40,906</u>	<u>36,560</u>
TOTAL EQUITY	<u>129,180</u>	<u>175,135</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

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 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 periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Hong Kong Accounting Standards (“HKAS”) 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has 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 the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

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 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
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

¹ *Effective for annual periods beginning on or after 1 April 2021.*

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

³ *Effective for annual periods beginning on or after 1 January 2023.*

⁴ *Effective for annual periods beginning on or after a date to be determined.*

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 2021, the Group incurred a loss attributable to owner of the Company of approximately HK\$51,270,000 and had approximately HK\$13,521,000 net cash used in operating activities during the year ended 31 December 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$34,643,000. 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;
- (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; and
- (iii) the Directors have also proposed to raise further funding by way of rights issue.

Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2021 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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
One-stop value chain services	3,252	3,002
Trading of consumables and agricultural products		
– Reusable bags	6,397	6,149
– Recycle plastics	47,200	8,226
Trading of grocery food products		
– Ramen and udon	3,211	5,247
– Frozen foods and others	12,990	9,491
Provision of financial services	–	1,434
	<u>73,050</u>	<u>33,549</u>
Revenue from contracts with customers		
Leases	–	266
Interest under effective interest method	217	1,381
	<u>217</u>	<u>1,381</u>
Total revenue	<u>73,267</u>	<u>35,196</u>

(ii) Leases

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed	<u>–</u>	<u>266</u>

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on borrowings	2,873	4,762
Reimbursement of finance costs borne by lenders	1,719	1,579
Interest on lease liabilities	85	322
Interest on margin loans payables	590	723
Interest on balancing payment for the acquisition of further interest in subsidiaries	861	861
Others	<u>151</u>	<u>208</u>
	<u>6,279</u>	<u>8,455</u>

6. INCOME TAX EXPENSE (CREDIT)

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	17	14
– Under-provision (over-provision) in prior years	<u>60</u>	<u>(108)</u>
	<u>77</u>	<u>(94)</u>
Deferred tax:		
– Current year	<u>423</u>	<u>(14,434)</u>
	<u>500</u>	<u>(14,528)</u>

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 PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from both years. No EIT is provided for the years ended 31 December 2021 and 2020 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 2021 and 2020 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Directors' emoluments	2,976	3,276
Other staff costs (excluding directors' emoluments)		
Salaries and other benefits	14,475	14,494
Retirement benefits scheme contributions	786	449
	<u>18,237</u>	<u>18,219</u>
Total staff costs (<i>Note (a)</i>)		
Auditors' remuneration:		
– Audit services	870	970
– Non-audit services	–	262
Cost of inventories recognised as an expense	72,148	28,540
Depreciation of plant and equipment (<i>Note (b)</i>)	990	1,294
Depreciation of right-of-use assets (<i>Note (c)</i>)	557	786
Impairment loss recognised on right-of-use assets	71	–
Loss on written-off of other receivables	–	2,934
Loss on settlement of loans to associates	6,303	133
Share-based payments to consultants	–	1,500
	<u> </u>	<u> </u>

Notes:

- (a) Staff costs amounted to approximately HK\$2,950,000 (2020: Nil) and HK\$15,287,000 (2020: HK\$18,219,000) have been included in cost of sales and administrative expenses respectively.
- (b) Depreciation of property, plant and equipment amounted to approximately HK\$21,000 (2020: Nil) and HK\$969,000 (2020: HK\$1,294,000) have been included in cost of sales and administrative expenses respectively.
- (c) Depreciation of right-of-use assets amounted to approximately HK\$557,000 (2020: HK\$786,000) has been included in administrative expenses.

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: 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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	<u>(51,270)</u>	<u>(58,845)</u>
	2021	2020
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>96,560,722</u>	<u>93,255,243</u>

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted for the share consolidation on 22 October 2021.

The denominator for the purpose of calculating basic and diluted loss per share in 2020 has been restated to reflect the effect of the share consolidation during the year ended 31 December 2021.

For the years ended 31 December 2021 and 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 years ended 31 December 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables arise from contracts with customers	24,539	11,722
<i>Less:</i> Allowance for credit losses	<u>(1,474)</u>	<u>(401)</u>
	<u>23,065</u>	<u>11,321</u>
Prepayments to suppliers	<u>1,676</u>	<u>9,899</u>
Deposits	1,680	685
Other receivables	<u>21,545</u>	<u>26,105</u>
	23,225	26,790
<i>Less:</i> Allowance for credit losses	<u>(8,825)</u>	<u>(651)</u>
	<u>14,400</u>	<u>26,139</u>
	<u>39,141</u>	<u>47,359</u>
Analysed for reporting purposes as:		
Current asset	39,141	34,900
Non-current asset	<u>–</u>	<u>12,459</u>
	<u>39,141</u>	<u>47,359</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$5,272,000.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	3,847	6,917
31 to 90 days	15,429	4,028
Over 90 days	<u>3,789</u>	<u>376</u>
	<u>23,065</u>	<u>11,321</u>

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	14,985	9,054
Other payables	<u>27,216</u>	<u>21,803</u>
	<u>42,201</u>	<u>30,857</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	3,541	6,636
31 to 90 days	5,252	2,288
Over 90 days	<u>6,192</u>	<u>130</u>
	<u>14,985</u>	<u>9,054</u>

12. EVENTS AFTER THE REPORTING PERIOD

- (a) On 14 February 2022 and 14 March 2022, Skyline Top Limited, a wholly-owned subsidiary of the Company, and an independent third party entered into a supplemental agreements, pursuant to which the deadline of the completion of the disposal of the entire issued share capital of Konson Global Investments Limited (the “Disposal”), a wholly-owned subsidiary of the Company, has been further extended to 14 April 2022. The Disposal has been completed on 22 April 2022.

The detail of the variation to terms was disclosed in the announcement of the Company dated 14 February 2022 and 14 March 2022, respectively.

- (b) On 14 February 2022, Fujian Seton Investment Co., Ltd, an indirect wholly-owned subsidiary of the Company, has entered into an agreement with an independent third party, to dispose of its two investment properties located in the PRC at RMB900,000. As at 31 December 2021, the aggregated carrying amount of those investment properties amounted to approximately RMB1,380,000 (equivalent to approximately HK\$1,690,000).
- (c) Subsequent to 31 December 2021, the Group proposed to raise up to approximately HK\$8,476,000 before expenses, by way of rights issue by issuing up to 52,977,621 rights shares at the subscription price of HK\$0.16 per rights share on the basis of one rights share for every two existing shares on the record date. The detail of the rights issue was disclosed in the prospectus of the Company dated 25 April 2022.

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 2021 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 2021, 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 a loss attributable to the owners of the Company of approximately HK\$51,270,000 and had approximately HK\$13,521,000 net cash used in operating activities for the year ended 31 December 2021 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately HK\$34,643,000. These conditions, along with other matters as set forth in Note 3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The aforesaid “Note 3 to the consolidated financial statements” in the extract of the independent auditors’ 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 2021

	2021 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	NOTES
Revenue				
Goods and services	73,050	64,640	8,410	1
Leases	–	–	–	
Interest under effective interest method	217	217	–	
Total revenue	73,267	64,857	8,410	
Cost of sales	(72,411)	(64,014)	(8,397)	1
Gross profit	856	843	13	
Other income, gains or losses	1,842	2,418	(576)	2
Impairment losses under expected credit loss model, net of reversal	(10,629)	(2,449)	(8,180)	3
Loss from changes in fair value of investment properties, net	(1,678)	(1,256)	(422)	4
Gain from changes in fair value of financial assets at fair value through profit or loss	3,019	3,019	–	
Impairment loss recognised on goodwill	(725)	(725)	–	
Impairment loss recognised on deposits paid	(5,445)	–	(5,445)	5
Selling and distribution expenses	(870)	(870)	–	
Administrative expenses	(32,458)	(32,278)	(180)	6
Share of results of associates	247	(118)	365	7
Finance costs	(6,279)	(6,279)	–	
Loss before tax	(52,120)	(37,695)	(14,425)	
Income tax (expense) credit	(500)	(684)	184	8
Loss for the year	(52,620)	(38,379)	(14,241)	

	2021 HK\$'000 (Audited)	2021 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	<i>NOTES</i>
Other comprehensive income (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	<u>(812)</u>	<u>(812)</u>	<u>–</u>	
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	1,611	1,842	(231)	6
Release of cumulative exchange reserve upon disposal of foreign operations	<u>1,043</u>	<u>1,155</u>	<u>(112)</u>	6
	2,654	2,997	(343)	
Other comprehensive income for the year, net of income tax	<u>1,842</u>	<u>2,185</u>	<u>(343)</u>	
Total comprehensive expense for the year	<u>(50,778)</u>	<u>(36,194)</u>	<u>(14,584)</u>	
Loss for the year attributable to:				
Owners of the Company	(51,270)	(37,039)	(14,231)	
Non-controlling interests	<u>(1,350)</u>	<u>(1,340)</u>	<u>(10)</u>	
	<u>(52,620)</u>	<u>(38,379)</u>	<u>(14,241)</u>	
Total comprehensive expense for the year attributable to:				
Owners of the Company	(49,819)	(35,245)	(14,574)	
Non-controlling interests	<u>(959)</u>	<u>(949)</u>	<u>(10)</u>	
	<u>(50,778)</u>	<u>(36,194)</u>	<u>(14,584)</u>	
LOSS PER SHARE				
Basic and diluted (<i>HK cents</i>)	<u>(53.10)</u>	<u>(38.36)</u>	<u>(14.74)</u>	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	2021 <i>HK\$'000</i> (Audited)	2021 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	NOTES
NON-CURRENT ASSETS				
Plant and equipment	810	810	–	
Right-of-use assets	382	382	–	
Investment properties	16,869	17,297	(428)	4
Goodwill	–	–	–	
Intangible asset	758	758	–	
Interests in associates	30,137	29,886	251	7
Equity instruments at fair value through other comprehensive income	7,261	7,261	–	
Deposits paid	108,996	114,527	(5,531)	5
Other receivables	–	–	–	
Loans to associates	–	–	–	
	<u>165,213</u>	<u>170,921</u>	<u>(5,708)</u>	
CURRENT ASSETS				
Inventories	2,716	2,716	–	
Trade and other receivables	39,141	48,647	(9,506)	3
Loan and interest receivables	1,935	1,935	–	
Loans to associates	3,826	3,826	–	
Financial assets at fair value through profit or loss	8,780	8,780	–	
Restricted bank balance	705	705	–	
Bank balances and cash	2,850	2,850	–	
	<u>59,953</u>	<u>69,459</u>	<u>(9,506)</u>	
Assets classified as held for sale	<u>13,547</u>	<u>13,432</u>	<u>115</u>	6
	<u>73,500</u>	<u>82,891</u>	<u>(9,391)</u>	
CURRENT LIABILITIES				
Trade and other payables	42,201	42,372	(171)	6
Contract liabilities	2,504	2,504	–	
Amounts due to non-controlling interests	3,645	3,645	–	
Borrowings	41,040	41,040	–	
Margin loans payable	6,090	6,090	–	
Lease liabilities	506	506	–	
Financial guarantee contract	12,102	12,102	–	
Income tax payable	55	38	17	8
	<u>108,143</u>	<u>108,297</u>	<u>(154)</u>	
NET CURRENT LIABILITIES	<u>(34,643)</u>	<u>(25,406)</u>	<u>(9,237)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>130,570</u>	<u>145,515</u>	<u>(14,945)</u>	

	2021 HK\$'000 (Audited)	2021 <i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Differences)	<i>NOTES</i>
NON-CURRENT LIABILITIES				
Deferred tax liabilities	<u>1,390</u>	<u>1,593</u>	<u>(203)</u>	8
	<u>1,390</u>	<u>1,593</u>	<u>(203)</u>	
NET ASSETS	<u>129,180</u>	<u>143,922</u>	<u>(14,742)</u>	
CAPITAL AND RESERVES				
Share capital	1,060	1,060	–	
Reserves	<u>87,214</u>	<u>101,946</u>	<u>(14,732)</u>	
Equity attributable to owners of the Company	88,274	103,006	(14,732)	
Non-controlling interests	<u>40,906</u>	<u>40,916</u>	<u>(10)</u>	
TOTAL EQUITY	<u>129,180</u>	<u>143,922</u>	<u>(14,742)</u>	

Notes:

1. The difference was the result of recognition of sales and associated costs completed on or before 31 December 2021.
2. The material difference of other income, gains or losses was mainly due to written-off of other payables aged over 7 years and adjustment of overstated interest income on other receivables.
3. The difference was the result of update of impairment assessment of the Group's financial assets and financial guarantee contract after reassessment by valuer.
4. The difference was the result of update of assessment of fair value of the Group's investment properties after reassessment by valuer.
5. The difference was the result of update of impairment assessment of the Group's deposits paid after reassessment by valuer.
6. The difference was a result of upon finalisation of financial statements of the Group's foreign operations.
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 the reversal of deferred tax in relation to the fair value change of the investment properties in the PRC and provision for current tax.
9. The difference was mainly arising from release of cumulative exchange reserve upon disposal of foreign operations.

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 2021 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
Liu Chun Fai
Chairman & Executive Director

Hong Kong, 6 May 2022

As at the date of this announcement, the executive Directors are Mr. Liu Chun Fai (Chairman), Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.