THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Eco-Farming Limited (the "**Company**"), you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF PROPERTIES AND NOTICE OF SPECIAL GENERAL MEETING

A letter from the Board is set out on pages 4 to 18 of this circular.

A notice convening the special general meeting ("SGM") of the Company to be held at Room 2002, 20/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong on Thursday, 9 April 2020 at 11:00 a.m., is set out on pages SGM-1 to SGM-2 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish. In such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least seven days from the date of its publication and on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html.

23 March 2020

CHARACTERISTICS OF GEM

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 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.

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.

CONTENTS

In this circular, unless the context otherwise requires, the following terms shall have the following meanings:

"Board"	the board of Directors
"Company"	China Eco-Farming Limited, a company continued into Bermuda with limited liability, the shares of which are listed on GEM
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed thereto under the GEM Listing Rules
"Consideration"	the cash consideration payable by the Purchaser to the Vendor pursuant to the Sale and Purchase Agreement
"DHL"	Delightful Hope Limited, a company incorporated in the British Virgin Islands with limited liability
"Director(s)"	the director(s) of the Company
"Disposal"	the disposal of the Properties subject to such terms and conditions as set out in the Sale and Purchase Agreement
"Escrow Agent" or "Property Agent"	Centaline (China) Property Agency Limited (中原(中國)房地產代理有限公司), the escrow agent and property agent designated by the Purchaser and the Vendor in relation to escrow of the Deposit and the Disposal
"GEM"	the GEM of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	18 March 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

"Main Board"	the Main Board of the Stock Exchange
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Properties"	commercial premises situated at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC
"Purchaser"	the purchaser of the Properties
"Remaining Group"	the Group immediately after the Completion
"Sale and Purchase Agreement"	the agreement entered into between the Vendor and the Purchaser on 29 October 2019 for the sale and purchase of the Properties
"SFC"	the Securities and Futures Commission
"Skyline"	Skyline Top Limited, a company of limited liability incorporated in British Virgin Islands and is wholly owned by the Company as at the Latest Practicable Date
"SGM"	the special general meeting of the Company to be held for the purpose of approving the Disposal
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US"	The United States of America
"Vendor"	深圳市盛世富強科技有限公司 (Shenzhen City Shengshi Fuqiang Technology Company Limited*), a company with limited liability established in the PRC and an indirect non-wholly owned subsidiary of the Company

"Yardley"	Yardley Wealth Management Limited, a company incorporated in the British Virgin Islands with limited liability
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *For identification purpose only*

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

Executive Directors:
Mr. So David Tat Man
Mr. Ng Cheuk Fan, Keith

Independent non-executive Directors:
Mr. Yick Ting Fai, Jeffrey
Mr. Zhang Min
Ms. Yuen Wai Man

Registered office:
Clarendon House,
2 Church Street,
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 2002, 20/F,
Overseas Trust Bank Building,
160 Gloucester Road,
Hong Kong

23 March 2020

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO THE DISPOSAL OF PROPERTIES AND NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

References are made 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 and 10 March 2020 in relation to the Disposal. The purpose of this circular is to provide you with (i) further details on the Disposal; (ii) financial information on the Group; (iii) valuation report on the Properties; and (iv) the notice of the SGM.

THE DISPOSAL

On 29 October 2019 (after trading hours), 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).

THE SALE AND PURCHASE AGREEMENT

Set out below are the principal terms of the Sale and Purchase Agreement:

Date: 29 October 2019 (after trading hours)

Parties: (i) the Vendor; and

(ii) the Purchaser.

(collectively, the "**Parties**")

The Properties

The Properties comprise commercial premises situated at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC with a total gross floor area of approximately 1,690 sq.m.. As at the Latest Practicable Date, 6 units are leased out, and the remaining 2 commercial units are for the Group's own use as one of its offices in the PRC. The Company is confident that it will find a suitable office for replacement of the current one before Completion.

With reference to the announcement of China Railway Logistics Limited (former name of Chinese Strategic Holdings Limited) (stock code: 8089) dated 30 September 2009, Mr. Xiao Jin Cong (蕭金聰)("**Mr. Xiao**"), as the vendor, sold the Properties to 深圳市盛世富強科技有限公司 (Shenzhen City Shengshi Fuqiang Technology Company Limited*), which was a wholly-owned subsidiary of China Smart Asia Limited in which Chinese Strategic Holdings Limited wholly owned it, at an aggregate consideration of RMB40,002,273 (equivalent to approximately HK$45,442,582 using the exchange rate of approximately RMB1 to HK$1.136 as shown in the abovementioned announcement). It was disclosed that Mr. Xiao was a third party independent of and not connected with Chinese Strategic Holdings Limited and its connected persons (including Rich Best Asia Limited). With reference to the announcement of Chinese Strategic Holdings Limited dated 29 May 2015, China Smart Asia Limited, the holding company of Shenzhen City Shengshi Fuqiang Technology Company Limited which held the Properties and a residential house in Shenzhen directly, was then sold to DHL by Rich Best Asia Limited, a directly wholly-owned subsidiary of Chinese Strategic Holdings Limited, at a consideration of HK$93,000,000. To the best knowledge of the Directors, i) Mr. Xiao is independent of and not connected with the Company and its connected persons; and ii) the Purchaser is independent of and not connected with Rich Best Asia Limited or its holding company or any of its subsidiaries and its connected persons as at the Latest Practicable Date.

With reference to the announcement of the Company dated 20 September 2016, Allied Realty Limited, a wholly-owned subsidiary of the Company, as the purchaser to purchase from Mr. Huang Zekai, as the vendor to sell 25% of the issued capital in Gold Wide Holdings Limited (which was owned as to 75% indirectly by Chinese Strategic Holdings Limited as at the date of the abovementioned announcement). As such, as at the Latest Practicable Date, the Group and Chinese Strategic Holdings Limited owns 25% and 75% in Gold Wide Holdings Limited respectively. As at the Latest Practicable Date, the Group holds 925,200 shares of Chinese Strategic Holdings Limited, representing 0.33% of the total issued share capital of Chinese Strategic Holdings Limited. Save as disclosed above, as at the Latest Practicable Date, Chinese Strategic Holdings Limited and its subsidiaries (including Rich Best Asia Limited) is independent of and not connected with the Company and its connected persons.

Based on the management accounts of the Vendor for the years ended 31 December 2018 and 31 December 2017, the net profit attributable to the Properties for the financial year ended 31 December 2018 was approximately HK$17.4 million and the net loss attributable to the Properties for the financial year ended 31 December 2017 is approximately HK$3.8 million both before and after taxation.[#]

Properties in PRC are subject to, among others, property tax and land use right tax. Rental income from Properties are subject to sales tax and other affiliated tax. The Properties themselves (including the capital gain) are not subject to profit tax. Accordingly, the net profit is both before and after taxation.

As at 30 September 2019, the book value of the Properties is RMB93.1 million (equivalent to approximately HK$106.0 million) based on the valuation report as at 31 December 2018 which was carried in the books of the Company using an exchange rate of RMB1 to HK$1.1386 quoted on 31 December 2018. The Properties were valued mainly with reference to market evidence of recent transaction prices for similar properties for the same location and type of properties.

The market value of the Properties when China Smart Asia Limited, which wholly owns the Vendor, was acquired in 2015 was RMB83,800,000 as at 31 May 2015 as disclosed in the circular of the Company dated 27 July 2015.

Consideration and payment terms

The Consideration for the Disposal is RMB69,449,988 (equivalent to approximately HK$77,325,617), which was arrived at after arm's length negotiation between the Parties on normal commercial terms with reference to, among others, the preliminary valuation of the Properties as at 15 October 2019 of RMB69.5 million (equivalent to approximately HK$77.3 million) based on market approach conducted by Ravia Global Appraisal Advisory Limited (瑞豐環球評估諮詢有限公司), an independent professional valuer, and the prices of similar properties in the same building as listed by real estate agents which formed the basis for the valuation of the Properties. In determining the Consideration, management of the Company has also considered the recent offers from potential buyers of the Properties, and the opportunity costs of delaying the disposal of the Properties during a time when the Company is in immediate need of cash. For further details of the reasons and benefits for the Disposal, please refer to the section headed "Reasons for and Benefits of the Disposal" below.

Details of the valuation report on the Properties are set out in Appendix IV of this circular.

The Consideration shall be payable by the Purchaser in cash in the following manner:

(i) deposit (the "**Deposit**") of RMB3.45 million (equivalent to approximately HK$3.84 million), which will be paid by the Purchaser to an escrow account with the Escrow Agent within two days upon execution of the Sale and Purchase Agreement by the Parties and shall become part payment of the Consideration upon the Parties handling the transfer procedures. RMB1 million (equivalent to approximately HK$1.11 million) of the Deposit shall be kept in the escrow account to urge the Vendor to deliver the Properties on schedule and for clearance of all expenses, i.e. water, electricity, property management service fee and related expenses accrued up to delivery of the Properties;

(ii) RMB33.80 million (equivalent to approximately HK$37.63 million), being part payment (the "**Second Payment**") of the Consideration which shall be paid by the Purchaser to another escrow account with the mortgage bank (the "**Bank**") before 11 November 2019; and

(iii) in respect of the remaining balance (the "**Mortgage Payment**") of RMB32.2 million (equivalent to approximately HK$35.85 million), the Purchaser shall submit the materials for mortgage application to the Bank before 11 November 2019 and assist the Bank in the mortgage approval procedures. If the mortgage granted by the Bank is less than the remaining balance of the Consideration, the Purchaser shall make up the deficiency by paying it to the escrow account with the Bank within 3 business days upon the Bank issuing the loan commitment letter which refers to the letter of approval of the mortgage loan to be issued by the Bank.

As at the Latest Practicable Date, part of the Consideration mentioned in (i) and (ii) above has been deposited to the respective escrow accounts. The Company has been informed that the mortgage application for RMB32.2 million has been approved. The Mortgage Payment will be settled according to the terms of the Sale and Purchase Agreement.

According to the Sale and Purchase Agreement, the Vendor will receive the Consideration in the following timeline:

1. After submission of relevant documents for property transfer（遞件過戶）to the relevant land ownership department, the Parties will deliver the submission receipt to the Escrow Agent. By then, the Vendor will receive RMB2,450,000 of the Deposit;

2. The remaining RMB1 million of the Deposit, after clearance of outstanding expenses (if any), and the Mortgage Payment will be received by the Vendor upon delivering to the Escrow Agent and the Bank the Confirmation of Delivery of Properties（交樓確認書）signed by the Parties which refers to the confirmation signed by the Parties that the Properties and affiliated facilities, decorations and renovation are checked and accepted, and keys are delivered to the Purchaser; and

3. The Second Payment will be received by the Vendor upon delivering to the Bank the receipt evidencing completion of title transfer for the Properties which refers to the document to be issued by the relevant land ownership department stating that the title of the Properties has been transferred to the Purchaser.

As at the Latest Practicable Date, the Vendor is wholly owned by China Smart Asia Limited which is in turn wholly owned by DHL which is in turn owned as to 50% by each of Yardley and Skyline which is in turn wholly owned by the Company. In view of this shareholding structure, Yardley has its 50% direct interest in DHL but not in the Vendor. As such, Yardley is not directly entitled to share 50% of the Consideration.

The Group is defined as the Company and its subsidiaries which includes both wholly owned and non-wholly owned subsidiaries. The Vendor, being a non-wholly owned subsidiary of the Company, is a part of the Group. To this extent, the Group is legally entitled to fully receive the Consideration.

Conditions precedent

Completion shall be conditional upon:

(i) the approval of the Disposal by the Shareholders at the SGM having been obtained; and

(ii) the compliance with any other requirements under the GEM Listing Rules or otherwise of the Stock Exchange or other regulatory authorities or any applicable laws and regulations which requires compliance at any time prior to Completion.

Completion

Completion shall take place within three days upon the transfer of the Properties to the Purchaser and the full receipt of the Consideration by the Vendor.

INFORMATION ON THE PURCHASER

Mr. Cai Weiyuan*（蔡位源）("**Mr. Cai**"), being the Purchaser, is an individual introduced to the Company by the Property Agent. Upon enquiry to Mr. Cai through the Property Agent, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Mr. Cai is a merchant in the PRC and is independent of and not connected with the Company and its connected persons as at the Latest Practicable Date.

The Company has been approached by other potential purchasers through the Property Agent. Save for Mr. Cai, no other potential purchaser was able to conclude the deal with payment of the deposit and was willing to accept additional conditions precedent of approval at the SGM and the prolonged expected completion date due to the very substantial disposal nature of the Disposal.

On 21 February 2020, the Vendor received a letter dated 13 February 2020 from Mr. Cai stating that due to his personal issue, he has assigned all of his rights in relation to the Sale and Purchase Agreement to Mr. Chen Chunhui*（陳春輝）("**Mr. Chen**"), being the new purchaser. Subsequently on 28 February 2020, the Vendor received a letter from Mr. Cai to further confirm that he has assigned all of his rights and obligations in relation to the Sale and Purchase Agreement to Mr. Chen. In connection to the change of purchaser, the Company had neither approached Mr. Chen nor other potential purchaser before or after the happening of the change of purchaser. The Vendor has got in touch with Mr. Chen later on after the receipt of the above said letters and understands that he has taken up the rights and obligations of the Purchaser and Mr. Chen has promised to complete the Sale and Purchase Agreement in accordance with the terms and conditions thereof. Having considered that (i) the inactive property market in Shenzhen currently (as discussed below); (ii) the quarantined measures of the epidemic in the PRC recently; and (iii) the time factor, the Company has not sought other potential purchaser and agreed to accept the change of purchaser without any other changes according to the terms and conditions of the Sale and Purchase Agreement. According to Mr. Cai's letter to the Vendor, the reason of the assignment in relation to the Disposal was due to his personal issue. As far as the Company is concerned and the Company has made enquiry to the Property Agent, the Company has no knowledge of the detailed reason. The Vendor was informed by the Property Agent with the notice for the change of the Purchaser from Mr. Cai to Mr. Chen. However, after consulting with the Property Agent, there is no information on how Mr. Chen was introduced to/approached by Mr. Cai and how the arrangement was initiated. There are no relevant terms restricting the assignment of rights and obligations of the Purchaser specified under the Sale and Purchase Agreement. Referring to the legal opinion from the PRC lawyer of the Company (the "**PRC Legal Opinion**"), the assignment of the Purchaser's rights and obligations in relation to the Disposal is valid and legal under the PRC laws and the Sale and Purchase Agreement has not been terminated and/or lapsed and is still valid and effective.

The Company has not entered into any supplemental agreement with Mr. Chen and Mr. Cai in relation to the assignment of rights and obligations under the Sale and Purchase Agreement. However, for the purpose of preparing completion documents (i.e. the transfer of the title of the Property legally), the Vendor has signed the sale and purchase agreements of second-hand housing in Shenzhen*（深圳市二手房買賣合同）with Mr. Chen. The Company would like to clarify that the sale and purchase agreements of second-hand housing in Shenzhen of each unit of the Properties (the "**Transfer Documents**") are regarded as the documents preparing for the Completion. The Transfer Documents included particulars of the properties, consideration and payment terms and the purpose of the Transfer Documents is to transfer the titles of the Properties legally from the Vendor to the Purchaser. As informed by Mr. Chen, he has obtained the approval of a mortgage application which is sufficient to settle the Mortgage Payment according to the terms of the Sale and Purchase Agreement. The Company has obtained the PRC identity card information of Mr. Chen and the Company has no further details on the background of Mr. Chen. The Company has requested its PRC lawyer to conduct a legal check and there is no specific findings on Mr. Chen. The Company also noted that Mr. Chen has obtained the approval of a mortgage application in relation to the Properties which has proved that Mr. Chen is capable to complete the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, if the Purchaser fails to fulfill his obligations on the scheduled date, the Vendor has the rights to request the Purchaser to pay for a penalty of 0.05% of the Consideration calculated on a daily basis and continue to fulfill the obligations of the Sale and Purchase Agreement. If the Purchaser fails to fulfill his obligations more than 30 days, the Vendor has the rights to terminate the Sale and Purchase Agreement and choose to request the Purchaser to pay for a penalty of 20% of the Consideration or to forfeit the deposits paid by the Purchaser. As Mr. Chen has taken up the rights and obligations of the Purchaser, the above terms and conditions of the Sale and Purchase Agreement are applicable to Mr. Chen. Therefore, the Company would like to clarify and confirm that the Purchaser (whether Mr. Cai or Mr. Chen) has already fulfilled his obligations to settle the Deposit and Second Payment as well as obtained the approval of a mortgage application in relation to the Disposal. It is expected that the SGM will be held on or before 9 April 2020 and the completion of the Disposal shall take place within three days upon the transfer of the Properties to the Purchaser and the full receipt of the Consideration by the Vendor (the completion date is not specified under the Sale and Purchase Agreement). There is no change of such expected completion schedule if the Company is able to obtain the Shareholders' approval on or before such date.

Referring to the updated valuation report of the Properties dated 31 December 2019 contained in the Circular, the valuation of the Properties is the same as the preliminary valuation as at 15 October 2019. The Company has also consulted the Property Agent in relation to the property market of offices in Shenzhen in the first two months of 2020. The Property Agent replied that due to the quarantined measures of the epidemic in the PRC recently, the market has become inactive and no transaction similar to the Disposal was recorded lately.

The Board has thoroughly explained the reasons for and benefits of the Disposal and expressed its view in the section headed "REASONS FOR AND BENEFITS OF THE DISPOSAL". Having considered that: (i) the abovementioned current property market conditions in Shenzhen; (ii) with the same terms and conditions which make no extra gain or loss in connection to the Disposal (iii) Mr. Chen has obtained the approval of a mortgage application which is sufficient to settle the Mortgage Payment; (iv) the Disposal can be completed without further delay; (v) the Deposit and the Second Payment were received; and (vi) there is no material impact on the Disposal, it is fair and reasonable and in the best interests of the Company and its Shareholders as a whole to sell the Properties to Mr. Chen at the same terms under the Sale and Purchase Agreement.

Referring to the PRC Legal Opinion, taking into account of the validity of the Sale and Purchase Agreement and save for the change of the Purchaser, the terms and conditions remain unchanged and referring to the date of the notice of the change of the Purchaser, the Disposal still constituted a very substantial disposal to the Company under the GEM Listing Rules, the Board regarded that the change of the Purchaser does not constitute a separate notifiable transaction.

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, Mr. Chen is a merchant in the PRC and is independent of and not connected with the Company and its connected persons as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, it is understood that Mr. Cai and Mr. Chen has a business relationship and the Company has no details of the business relationship (i.e. existing and/or prior) between Mr. Cai and Mr. Chen. The Company has further enquired the business relationship between Mr. Cai and Mr. Chen. The Company was informed that they have known each other for a period of time and have business cooperation. Save as disclosed in this Circular, as at the Latest Practicable Date, the Company is not aware of any other relationship among Mr. Cai, Mr. Chen, Mr. Xiao and/or the Company and its connected persons and each of Mr. Cai, Mr. Chen and Mr. Xiao is independent of and not connected with the Company and its connected persons.

To the best of the Directors' knowledge, as at the Latest Practicable Date, save as disclosed in this Circular, (i) the Company and the Vendor do not have any information in connection to any arrangement, understanding or undertaking among Mr. Cai, Mr. Chen or Mr. Xiao; and (ii) the Company and its connected persons have not made any arrangement, understanding and undertaking with Mr. Cai, Mr. Chen or Mr. Xiao.

INFORMATION ON THE VENDOR

深圳市盛世富強科技有限公司 (Shenzhen City Shengshi Fuqiang Technology Company Limited*), being the Vendor, is a company with limited liability established in the PRC, and is an indirect non-wholly owned subsidiary of the Company as at the Latest Practicable Date.

FINANCIAL EFFECTS OF THE DISPOSAL

Subject to audit, upon Completion, The Group expects to record a net loss before tax of approximately RMB23.7 million (equivalent to approximately HK$26.3 million) arising from the Disposal and exchange loss of approximately HK$1.75 million on the fair value difference of the Properties based on the respective exchange rate of RMB to HK$ on 31 December 2018 and 31 January 2020. The net loss arising from the Disposal represents the excess of the book value of the Properties of RMB93.1 million (equivalent to approximately HK$106.0 million) as at 30 September 2019 over the Consideration of RMB69,449,988 (equivalent to approximately HK$77,325,617). The estimated expenses in relation to the Disposal, including but not limited to property agent commission in the PRC of RMB1.25 million (equivalent to approximately HK$1.39 million) and professional fees and administration expenses of approximately HK$1.78 million, amount to approximately HK$3.17 million as at the Latest Practicable Date.

Upon completion of the Disposal, the Group will cease to receive monthly rental income of RMB248,640 (equivalent to approximately HK$276,835). It is expected there will be an increase in cash being the net proceeds from the Disposal. Part of the net proceeds will be applied to repay some borrowings which was classified as current liabilities of the Group according to the section headed "Use of Proceeds" below. The book value of investment properties which was classified as non-current assets of the Group will be reduced by the book value of the Properties accordingly.

USE OF PROCEEDS

The net proceeds of approximately HK$74.16 million are intended to be used for the settlement of outstanding liabilities of the Group as to approximately HK$49.30 million and as its general working capital as to approximately HK$24.86 million (for general administrative expenses such as rent expenses, salaries, Directors' fees, interest payments, etc).

Loans to be settled by the net proceeds

	Principal amount As at 31 January 2020	**Interest rate per month**	**Maturity**	**Asset under pledge**	**Interest expense up to maturity date**
	HK$('000)	*%*			*HK$('000)*
	Approximately				*Approximately*
Secured loan*#	11,134	0.54	19/12/2019	2 units of the Properties	182
Secured loan*#	7,794	1.80	22/11/2019	2 units of the Properties	421
Secured loan*#	8,907	1.80	12/12/2019	2 units of the Properties	641
Unsecured loan**#	5,000	1.50	07/12/2019		150
Unsecured loan**#	5,000	1.50	22/11/2019		75
	37,835				1,469

* *There will be a gap period between the bank or financial institution demanding for repayment of the secured loan upon disposal of the Properties and full receipt of the Consideration by the Group. Accordingly, the Company have borrowed a bridging loan from financial institution of approximately RMB25 million and repaid the 3 loans secured by the Properties.*

\# *Up to the Latest Practicable Date, these loans and their accrued interest were paid off by the bridging loan and deposit received.*

	Principal amount	**Interest rate per annum**	**Maturity**	**Asset under pledge**
	HK$('000)	*%*		
	Approximately			
Acquisition of remaining 50% interests in Delightful Hope Limited which indirectly wholly owns the Vendor				
Balance payment	10,000	8.00	31/03/2020	

	Principal amount As at 31 January 2020 *HK$('000) Approximately*	Interest rate per annum *%*	Maturity	Asset under pledge
Other loans and liabilities (the "**Remaining Liabilities**")				
Margin loan	5,864	10.00		
Margin loan	98	6.63		
Secured loan	10,000	12.00	27/04/2020	A property in TML Tower, Hong Kong
Unsecured loan	5,066	Nil	31/12/2021	
Unsecured loan	14,474	Nil	31/12/2021	
Unsecured loan**	3,500	15.00	28/12/2019	
Mortgage loan (Taiwan)	7,638	floating rate 1.95	30/04/2030	A flat in Taipei with 2 car parking space
	46,640			

** *These unsecured loans have expired and will be repaid after completion of the Disposal. These unsecured loans are subject to a default interest rate of 1.5% per month or 18% per annum (which have remained the same as the loan interest rate) upon expiry. As at the Latest Practicable Date, all interest/default interest of these unsecured loans has been settled.*

To settle the Remaining Liabilities, the Company will not rule out possibilities of conducting any debt and/or equity fundraising activities and/or disposal of its assets. As at the Latest Practicable Date, besides the placing agreement dated 20 September 2019, the Company does not have any concrete plan and no agreement in relation to the aforesaid has been entered into by the Company. Following the Completion, depending on the then market circumstances and the Company's needs of funds, the Company may consider possible debt and/or equity fundraising activities and/or disposal of its assets. The Company will make further announcement(s) as and when appropriate pursuant to the GEM Listing Rules.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the business of trading of grocery food products, trading of consumables and agricultural products, property investment, provision of money lending services, one-stop value chain services and provision of financial services.

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the revenue and gross profit decreased significantly compared to that for the six months ended 30 June 2018. In view of the current market environment and business prospects of the property market in the PRC, and having regard to the uncertain business operation environment of the property leasing market in the PRC, the Company expects that the Group can benefit from the Disposal as it can obtain positive cash flow from the Disposal which will strengthen the financial position of the Group and will provide funds for the general working capital of the Group and settlement of its outstanding liabilities. The Company has requested different property agents to sell the Properties for more than half a year. As informed by the property agents, few people inquired about the Properties with those who inquired demanding for a lower price from time to time. In addition, as the Properties comprise 8 commercial premises on the same floor which involved a large sum of the Consideration, it's difficult to identify a willing purchaser in a short period of time. As a result, when the Purchaser was identified, the Vendor grasped the opportunity and entered into the Sale and Purchase Agreement with the Purchaser.

In view of the outstanding liabilities detailed in the section headed "Use of Proceeds" above, the Company entered into the placing agreement dated 20 September 2019. In addition, taking into consideration the uncertain development of property market in PRC as detailed below, the Company has put its 9 properties, i.e. the Properties and a residential house in Shenzhen for sale or lease to realise their value for settlement of outstanding liabilities of the Group. As at the Latest Practicable Date, the residential house in Shenzhen is vacant with no pledge or mortgage for which no potential purchaser was identified.

The Company has conducted researches with reference to public information on the office market in the PRC and in particular, Shenzhen. According to certain research reports on the PRC real estate market in 2019 prepared and published by famous and trustworthy property valuers, there is approximately 58% decline in the net absorption rate and the vacancy rate rose to 20.9% in the second quarter of 2019 for the office market in 17 major cities in PRC. In addition, the vacancy rate will continue to increase due to the expected large supply. The oversupply, together with the slowdown in the PRC economy will inevitably impose downward pressure to the office market in Shenzhen.

It is noticed that the geopolitical uncertainty derived from China-US trade tension and the extra tariff on Chinese exports to the US and consequent reduction in import/export activity has cast a shadow over the business confidence in the PRC. Shenzhen, as a leader of the PRC economy at the forefront of its economic reform may be affected immediately and directly. The challenging outlook for the PRC economy in light of the ongoing trade war and the increasing competition in nearby cities brought by The Planning of the Guangdong-Hong Kong-Macau Greater Bay Area may deteriorate the property market in Shenzhen in the future. It might cause and intensify the negative impact on the fair value of the Properties.

As such, due to a worsening economic outlook of the PRC and high vacancy rate of office market in Shenzhen, it is understandable that the current market value of the Properties is different from the market value of the Properties when it was acquired in 2015 and its latest book value as at 31 December 2018. The Directors are not optimistic to the office market in Shenzhen in the coming future as the office market in Shenzhen is in a downward trend. In order to eliminate the risk of potential further loss of the Properties and in consideration of the funding needs of the Group, the Directors decided to proceed with the Disposal and are of the view that the Disposal at the Consideration which is similar to the valuation of the Properties disclosed in the section headed "Consideration and payment terms" is fair and reasonable and is in the best interests of the Shareholders and the Company as a whole.

UPDATE ON THE ACQUISITION

Reference is made to the announcement of the Company dated 17 July 2017. Skyline entered into an agreement with Yardley to acquire the remaining 50% interests in DHL, which indirectly wholly owns the Vendor, for cash consideration of HK$55 million (the "**Acquisition**").

On 19 March 2019, the parties agreed to extend the long stop date of the Acquisition to 31 March 2020. As stated in the table on page 13 of this circular, part of the net proceeds from the Disposal are intended to be used to settle the remaining balance of HK$10 million of the consideration in relation to the Acquisition.

DHL is a joint venture company incorporated in the British Virgin Islands and a non-wholly owned subsidiary of the Company. It is owned as to 50% by the Company and its principal business is investment holding. There is no change in the business operation of DHL since its incorporation.

Part of the net proceeds from the Disposal will be transferred to Skyline for the settlement of the remaining balance of HK$10 million of the consideration in relation to the Acquisition and the interest accrued to Yardley through inter-company current account, upon payment of which completion of the Acquisition will take place. Save for disclosed, no other agreement or arrangement was made between Skyline and Yardley in relation to the Consideration. Notwithstanding the Acquisition has not been completed, the Vendor is legally entitled to proceed with the Disposal and fully receive the Consideration.

Pursuant to the agreement for the Acquisition dated 17 July 2017 (as amended by the supplemental agreements dated 31 July 2017, 17 January 2018 and 19 March 2019), all conditions precedent have been fulfilled. It is the obligation of Skyline to make the balance payment of the consideration upon completion of the Acquisition. In view of the cashflow of the Group and after arm's length negotiation between the parties, Yardley agreed to postpone the completion of the Acquisition pending the payment of the remaining balance of the consideration. As at the Latest Practicable Date, the Acquisition has not been completed. In consideration of the downturn of the Shenzhen property market, after arms' length negotiation with Yardley, Yardley agreed to receive the remaining balance upon Completion. As such, the Disposal does not constitute a material change of the Acquisition. In addition, DHL indirectly owns the Properties and a residential house in Shenzhen (the "**Shenzhen House**"). As at 31 December 2016, being the time around the Acquisition, the fair value of the Properties and the Shenzhen House amounted to approximately RMB83.8 million and approximately RMB15.4 million respectively. The fair value of the Properties as at 31 December 2019 was RMB69.5 million. Due to a worsening economic outlook of the PRC and high vacancy rate of office market in Shenzhen, it is understandable that the current market value of the Properties is different from the market value of the Properties when it was acquired in 2015 and its latest book value as at 31 December 2018. The fair value of the Shenzhen House, as at 31 December 2018, being the latest book value available to the Company, amounted to approximately RMB19.5 million, representing an increase of approximately 26.62%. Although the fair value of the Properties has dropped in 2019 due to the reasons as mentioned above, having considered that i) the contractual obligation of Skyline; ii) an aggregate amount of HK$45 million has been paid; and iii) the remaining balance of HK$10 million of the consideration is outstanding, Skyline will proceed to complete the Acquisition in accordance with the abovementioned agreement and supplemental agreements.

To avoid any doubt, Yardley has no right to share 50% of the Consideration before completion of the Acquisition. To further safeguard Shareholders' interest, Yardley has given a written confirmation on 3 February 2020, stating that Yardley shall not share any income, profit and/or loss of DHL during the transitional period (i.e. from the agreement date to the completion date of the Acquisition).

GEM LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal of the Company under the GEM Listing Rules.

SGM

The SGM will be held at Room 2002, 20/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong, on Thursday, 9 April 2020 at 11:00 a.m.. for the Shareholders to consider and, if thought fit, pass the ordinary resolution to approve the Disposal. The resolution approving the Disposal will be conducted by way of a poll at the SGM and an announcement on the results of the SGM will be made by the Company after the SGM.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Disposal. Accordingly, no Shareholder is required to abstain from voting at the SGM in respect of the resolution approving the Disposal.

The notice of the SGM is set out on pages SGM-1 to SGM-2 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish. In such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors consider that the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions thereunder.

GENERAL

Your attention is drawn to the additional information set out in the appendices to this circular.

Unless otherwise specified, the translation of RMB into HKD is based on the exchange rate of RMB1 to HK$1.1134 quoted on 31 January 2020 and is for information purpose only.

By order of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2016, 2017 and 2018 and the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been set out in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.chinaeco-farming.com:

(i) for the year ended 31 December 2016, on pages 77 to 273 of the annual report of the Company for the year ended 31 December 2016 published on 30 March 2017 at https://www1.hkexnews.hk/listedco/listconews/gem/2017/0330/gln20170330275.pdf

(ii) for the year ended 31 December 2017, on pages 78 to 269 of the annual report of the Company for the year ended 31 December 2017 published on 29 March 2018 at https://www1.hkexnews.hk/listedco/listconews/gem/2018/0329/gln20180329447.pdf

(iii) for the year ended 31 December 2018, on pages 92 to 333 of the annual report of the Company for the year ended 31 December 2018 published on 31 March 2019 at https://www1.hkexnews.hk/listedco/listconews/gem/2019/0331/gln20190331019.pdf

(iv) for the six months ended 30 June 2019, on pages 3 to 32 of the interim report of the Company for the six months ended 30 June 2019 published on 14 August 2019 at https://www1.hkexnews.hk/listedco/listconews/gem/2019/0814/gln20190814105.pdf

2. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Remaining Group, including internal resources, the net proceeds to be received from the Disposal and the existing credit facilities available, the Remaining Group has sufficient working capital for its requirements for at least the next 12 months from the date of this circular.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

(i) Bank borrowings and charges

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had aggregate outstanding interest bearing and secured bank borrowings of approximately HK$7.64 million.

The bank borrowing denominated in New Taiwan dollars bears a floating interest rate of 0.97% per annum over the saving deposit rate. The bank borrowing denominated in RMB bears a fixed interest rate at 6.525% per annum.

The bank borrowings at 31 January 2020 were secured by the Group's investment properties with an aggregate carrying amount of approximately HK$17.94 million.

(ii) Other indebtedness and charges

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had outstanding indebtedness and charges as follows:

- amounts due to non-controlling interests with an aggregated amount of approximately HK$2.75 million are non-interest bearing and unsecured;
- other borrowings with an aggregated amount of approximately HK$19.54 million are non-interest bearing and unsecured;
- other borrowings with an aggregated amount of approximately HK$9.12 million bear interest rates ranging from 15% to 18% per annum are unsecured;
- margin loans with an aggregated amount of approximately HK$5.96 million due to financial institutions, which are independent third parties of the Group, bear interest rates ranging from 6.50% to 10.25% per annum and are secured by the listed equity securities with an aggregated carrying amount of approximately HK$6.68 million; and

– a term loan obtained by Asiaciti Management Limited, an independent third party of the Group, with a principal amount of RMB4.55 million, bears interest rate at 8% per annum for a period of three years up to 14 January 2022 is secured by an unlisted investment held by the Group with an aggregated carring amount of approximately HK$21.43 million, which represents unlisted equity securities issued by a private entity incorporated in the PRC.

(iii) Lease liability

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group, as a lessee, had outstanding unpaid contractual lease liabilities of approximately HK$3.62 million in relation to the remaining lease terms of a right-of-use asset, which is unsecured and unguaranteed.

(iv) Contingent liabilities and guarantee

As at the close of business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, 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.

The translation of RMB into HK$ and TWD into HK$ is based on the exchange rate of RMB1 to HK$1.1134 and TWD1 to HK$0.2585 respectively quoted on 31 January 2020 and is for information purpose only.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of the business on 31 January 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Group did not have any debt securities issued and outstanding, and authorized or otherwise created but unissued, or term loans or other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts or liabilities under acceptances or acceptance credits or hire purchase commitments, or outstanding mortgages and charges, or contingent liabilities or guarantees.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2018, being the date to which the latest audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

As at the Latest Practicable Date, the Group is 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.

On 31 October 2019, the Company has completed a placing of new shares under general mandate. Net proceeds of approximately HK$8.4 million was received which has strengthened the cash flow position of the Company.

The net proceeds of approximately HK$74.16 million to be received by the Company from the Disposal will further strengthen the cash flow of the Company and enhance working capital condition of the Company to meet its financial needs including the settlement of its outstanding liabilities.

The Group's trading of grocery food products segment 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. This segment is making stable contribution to the Group's revenue.

The Group's trading of consumables and agricultural products segment is mainly composed of re-usable bags trading business and bulk commodities trading in resin plastics (ABS) and polyethylene plastics (PE). The re-usable bags trading business is growing steadily and profitable.

With regard to the business of bulk commodities trading in the first half of 2019, the products are mainly resin plastics (ABS) and polyethylene plastics (PE) which the Group would like to develop into a new business of bulk commodities trading to disperse risks under the current uncertain business environments.

Despite that investor sentiment in Hong Kong and PRC may be influenced by the ongoing U.S. and PRC trade war, the Company has accumulated extensive experience and developed diverse business and will continue to explore business opportunities including actively identifying plastic related business to create value for the Shareholders and ensure maximization of the interests of the Shareholders.

6. MANAGEMENT DISCUSSION AND ANAYSIS OF THE REMAINING GROUP

There will be no change to the principal business of the Remaining Group as a result of the Disposal. Upon the Completion, the Remaining Group will continue to be 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.

Set out below is the management discussion and analysis on the Remaining Group, in which (i) information about the Group's financial position as at 30 June 2019 is extracted by the Directors from the interim report of the Company for the six months ended 30 June 2019; and (ii) information about the Group's financial performance and cash flows for the year ended 31 December 2018 has been extracted by the Directors from the annual report of the Company for the year ended 31 December 2018.

Business review

During the year ended 31 December 2018, the Remaining Group recorded revenue of approximately HK$46,861,000, representing a decrease of approximately 21.4% as compared to the last year. Loss for the year attributable to owners of the Company amounted to approximately HK$88,368,000. The loss per share of the Company was approximately HK12.43 cents.

Segment Information

The Remaining Group has been engaged in six business segments, namely one-stop value chain services (the "**One-Stop Value Chain Services Segment**"), property investment (the "**Property Investment Segment**"), trading of consumables and agricultural products (the "**Trading of Consumables and Agricultural Products Segment**"), trading of grocery food products (the "**Trading of Grocery Food Products Segment**"), provision of money lending services (the "**Money Lending Services Segment**") and provision of financial services (the "**Financial Services Segment**"). The details of each segment are summarised as below:

One-Stop Value Chain Services

The principal activities of the One-Stop Value Chain Services Segment are provision of total solution services including trading, packaging and logistic solutions. Customers of the Remaining Group usually place orders on order basis. The customers would approach the Remaining Group for enquiries and upon the Remaining Group provide suitable solutions to those enquiries, the customers would place order on information technology related products. The Remaining Group will then send orders to its suppliers. The Remaining Group will arrange for delivery of the ordered products to the customers accordingly.

The Directors believe that the One-Stop Value Chain Services Segment has the following competitive strengths: (i) the ability to provide a wide range of one-stop solution services including trading, packaging and logistic solutions to fulfill various needs from its customers; (ii) building up a reputation of provision of quality and reliable services in the industry; (iii) a diversified customer base; and (iv) experienced and dedicated management team which allow the Remaining Group to provide long-term quality services to customers.

The One-Stop Value Chain Services Segment has 2 major customers and 1 major supplier.

During the year ended 31 December 2018, the One-Stop Value Chain Services Segment reported a revenue of approximately HK$28,880,000, representing an increase of approximately 78.5% as compared to the last year. The increase was due to more resources was allocated to this segment.

Property Investment

The Remaining Group focuses on property investment on commercial and residential real estates in the PRC, Taiwan and Hong Kong. Upon Completion, there will be 5 properties remaining in the PRC, Taiwan and Hong Kong for rent or sale.

The Directors believe that the Property Investment Segment has the following competitive strengths: (i) experienced in property acquisitions by acquiring high-quality property reserves in principal cities of the PRC, Taiwan and Hong Kong; (ii) the Remaining Group's investment properties might generate stable rental income; (iii) the investment properties may have appreciation; and (iv) experienced and stable management team.

During the year ended 31 December 2018, the Property Investment Segment reported revenue of approximately HK$597,000, representing a decrease of approximately 84.8% as compared to the last year. As at 31 December 2018, the Remaining Group held properties in the PRC, Taiwan and Hong Kong for investment purpose amounted to approximately HK$63,796,000.

Trading of consumables and agricultural products

The Trading of Consumables and Agricultural Products Segment is principally engaged in trading of consumables products mainly reusable bags. After the customers design their reusable bags, the Remaining Group would send to its factory to develop samples. Once accepted and orders placed by the customers, the factory would bulk manufacture those products and arrange delivery to the customers according to the instruction of the Remaining Group.

The Directors believe that the following competitive strengths have driven growth in the Trading of Consumables and Agricultural products Segment's business and financial performance: (i) a long established reputation in the reusable bags industry in Hong Kong; (ii) an online platform business to provide tailor-made services with its exquisite designes to satisfy various needs from its customers; (iii) a strong and diverse customer base and stable relationships with the major customers and suppliers; and (iv) a team of experienced and loyal management.

This segment has more than 30 customers which engaged in different kinds of business and 8 major suppliers which engaged in manufacturing business.

During the year ended 31 December 2018, this business segment reported a revenue of approximately HK$6,045,000. The increase in approximately 3.0% of revenue compared to the last year was mainly due to widen customer base for reusable bags trading business.

The Remaining Group has been developing the new business of bulk commodities trading in the first half of 2019, details of which are described in the below paragraph "Other Developing Business" under the section headed "Outlook and Future Plans".

Trading of Grocery Food Products

The Remaining Group is an intermediate suppliers of grocery food products. It procures grocery food products from upper-tier suppliers for example food importers, wholesalers, manufacturers and distributors, and distribute to its customers. Upon renewing the sole distributorship agreement and the trademark licence agreement with Chan Kee Holdings Ltd during the first quarter of 2019, the Remaining Group remains as 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 Directors believe that the following strengths of this segment contribute to the success and distinguish the Remaining Group from the competitors: (i) a well-known brand with long-established reputation in the food distribution industries in Hong Kong; (ii) proactive sales team provides quality customised services, which placed the Remaining Group in a favourable position to obtain a stable level of recurring business; and (iii) a sound customer base and stable relationships with its major customers and supplier as the brand and products are well known and being sold in major supermarkets in Hong Kong.

The Trading of Grocery Food Products Segment has 4 major customers which are supermarkets and convenience stores and a major supplier which is a food wholesaler and distributor.

During the year ended 31 December 2018, this segment reported a revenue of approximately HK$5,769,000, which has decreased by approximately 80.7% compared to the previous year.

Provision of money lending services

This segment is principally providing loans to clients who have provided securities. The Remaining Group has a money lending license and it generates revenue from interest received from the provision of loans to its customers. With majority of the loans secured by properties or company shares, the Remaining Group demonstrated its strategy of balanced approach between protecting the Remaining Group's position yet allowing certain flexibility to cater for customer needs. The customers are referred through word-of-mouth approach by the Company's management and existing customers.

The Directors believe that this segment has the following strengths: (i) strong capabilities in providing efficient services to the target customers; (ii) reasonable credit control policy with a sustainable interest income; (iii) a strong and secured customer base and stable relationships with the customers; and (iv) experienced and dedicated management team.

The money lending business is operated under China AF Finance Limited ("**China AF Finance**"), a wholly owned subsidiary of the Company. The directors of China AF Finance are Mr. So David Tat Man ("**Mr. So**") and Mr. Ng Cheuk Fan, Keith ("**Mr. Ng**") who are responsible for the overall operation of the money lending business. Mr. So has been a director of China AF Finance since its commencement of business in August 2015. Mr. Ng was appointed as a director of China AF Finance in August 2018. Mr. Ng was also director of another licensed money lending company from August 2011 to July 2016 providing factoring service, mortgage loans and secured loans for corporations and individual customers.

The Money Lending Services Segment has less than 10 major customers.

During the year ended 31 December 2018, the Remaining Group's money lending services segment reported a revenue of approximately HK$1,568,000, which has decreased by approximately 72.7%.

Provision of financial services

The Financial Services Segment is principally engaged in provision of financial and investment advisory and corporate finance services. During the year ended 31 December 2018, the Remaining Group has two operating subsidiaries, China AF Asset Management Limited, a company holding Type 9 (asset management) license under the SFC, and China AF Corporate Finance Limited, a company holding Type 6 (advising on corporate finance) license under the SFC.

For the financial and investment advisory services, the Remaining Group provides investment advisory and asset management services which are suitable in situations with different investment objectives and risk appetites of customers.

For the corporate finance services, the Remaining Group acted as a financial adviser to advise listed companies in Hong Kong on transactions in relation to the Listing Rules, GEM Listing Rules or Takeovers Code. It also acted as an independent financial adviser to advise independent board committees and independent shareholders of listed companies in Hong Kong on recommendations and opinions to the transactions. As at 30 September 2019, no new mandate can be entered into due to the lack of sufficient responsible officer. Due to current market conditions, the Remaining Group has made an application to the SFC to revoke its license in September 2019.

The Financial Services Segment has less than 10 major customers which are listed companies in Hong Kong.

This segment reported a revenue for the year ended 31 December of 2018 of approximately HK$4,002,000, which has increased by approximately 183.8% compared to the previous year.

Liquidity and Financial Resources

For the six months ended 30 June 2019, the Remaining Group financed its business operations mainly with its internally generated resources and borrowings. As at 30 June 2019, the bank balances and cash of the Remaining Group was approximately HK$49,975,000, representing an increase of approximately 179.7% compared to that as at 31 December 2018.

As at 30 June 2019, the net assets of the Remaining Group was approximately HK$278,426,000, which is less than HK$336,973,000 as at 31 December 2018, and the net current assets was approximately HK$86,063,000 which is more than HK$38,100,000 as at 31 December 2018.

As at 30 June 2019, the total liabilities of the Remaining Group amounted to approximately HK$93,643,000, which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loan payables, amount due to non-controlling interest, income tax payables and deferred tax liabilities. The liabilities are denominated in HKD, RMB and New Taiwan dollars.

As at 30 June 2019, the Remaining Group had total assets of approximately HK$372,069,000. The gearing ratio of the Remaining Group, expressed as the ratio of total liabilities to total assets, was 0.25 as at 30 June 2019.

Capital Structure

As at 30 June 2019, the Company's issued ordinary share capital with an aggregate nominal value of HK$7,771,324.30 is divided into 777,132,430 Shares of HK$0.01 each.

Significant Investment held by the Remaining Group

The Remaining Group had available-for-sale investments and financial assets at fair value through profit or loss in aggregate of approximately HK$32,410,000 as at 30 June 2019, representing approximately 8.7% of the Remaining Group'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. 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 as at 30 June 2019 and 31 December 2018:

For the six months ended 30 June 2019 and year ended 31 December 2018

Name of investee company	Investment cost		Number of shares held		% of shareholding		Market value		% of market value to the Group's total assets		Change in fair value		Dividends received	
	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018	As at 30 June 2019	As at 31 December 2018
	Approximately HK$'000				*Approximately*		*Approximately HK$'000*		*Approximately*		*Approximately HK$'000*		*Approximately HK$'000*	
Financial assets at fair value through profit or loss *(Note 1)*														
Madison Holdings Group Limited	–	5,575	–	3,260,000	–	0.08%	–	3,358	–	0.75%	(2,346)	(5,303)	–	197
China Touyun Tech Group Limited	7,600	6,434	56,300,000	61,900,000	0.57%	0.63%	3,828	8,356	0.88%	1.86%	(3,950)	(4,301)	–	–
Chinese Strategic Holdings Limited	682	4,288	1,794,600	1,794,600	0.77%	0.87%	445	682	0.10%	0.15%	(237)	(3,330)	–	–
Excalibur Global Financial Holdings Limited	7,966	9,984	25,696,000	25,696,000	3.21%	3.21%	6,295	7,966	1.46%	1.77%	(1,703)	(2,018)	283	771
China Ever Grand Financial Leasing Group Co., Limited *(Note 5)*	–	–	–	–	–	–	–	–	–	–	–	(112)	–	–
China Assurance Finance Group Limited *(Note 6)*	–	–	–	–	–	–	–	–	–	–	–	(129)	–	–
China Environmental Resources Group Limited *(Note 7)*	–	–	–	–	–	–	–	–	–	–	–	2,153	–	–
China Fortune Financial Group Limited *(Note 8)*	–	–	–	–	–	–	–	–	–	–	–	(5,861)	–	–
Sun International Group Limited *(Note 9)*	–	–	–	–	–	–	–	–	–	–	–	(350)	–	–
Lumina Group Limited *(Note 10)*	–	–	–	–	–	–	–	–	–	–	–	(928)	–	–
D & G Technology Holdings Co. Limited *(Note 11)*	–	–	–	–	–	–	–	–	–	–	–	(235)	–	–
Starlite Holdings Limited *(Note 12)*	–	–	–	–	–	–	–	–	–	–	–	(72)	–	–
	16,248	26,281					10,568	20,362	2.44%	4.53%	(8,236)	(20,486)	283	968
Equity instruments at fair value through other comprehensive income														
China Industrial Securities International Financial Group Limited *(Note 2)*	–	8,422	–	8,668,451	–	0.22%	–	10,142	N/A	2.26%	(1,664)	2,512	–	401
Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) *(Note 3)*	40,005	40,005	11,250,000	11,250,000	4.99%	4.99%	21,833	21,833	5.04%	4.85%	–	(18,172)	–	–
Bangbei Biotech (Shanghai) Company Limited *(Note 4)*	1,111	1,111	N/A	N/A	N/A	N/A	9	9	0.01%	0.01%	–	(1,102)	–	–
	41,116	49,538					21,842	31,984	5.05%	7.12%	(1,664)	(16,762)	–	401
Total	57,364	75,819					32,410	52,346	7.49%	11.65%	(9,900)	(37,248)	283	1,369

Notes:

1. These are all listed companies on the Stock Exchange for the year ended 30 June 2019, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services and cryptocurrency mining business, 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, trading in securities and money lending, properties investments, loan financing, trading business and advising on securities, asset management and futures and options broking.

2. China Industrial Securities International Financial Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in the provision of brokerage services, loans and financing services, investment banking services, asset management services and financial products and investments.

3. 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.

4. 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.

5. The shares was first acquired in 2015. The investment cost as at 31 December 2017 was approximately HK$508,000. The shares were sold during 2018 for approximately HK$396,000.

6. The shares was first acquired in 2016. The investment cost as at 31 December 2017 was approximately HK$737,000. The shares were sold during 2018 for approximately HK$608,000.

7. The shares was first acquired in 2017. The investment cost as at 31 December 2017 was approximately HK$2,672,000. The shares were sold during 2018 for approximately HK$4,825,000.

8. The shares was first acquired in 2015. The investment cost as at 31 December 2017 was approximately HK$17,681,000. The shares were sold during 2018 for approximately HK$11,820,000.

9. The shares was first acquired in 2017. The investment cost as at 31 December 2017 was approximately HK$730,000. The shares were sold during 2018 for approximately HK$380,000.

10. The shares was first acquired in 2018. The investment cost in 2018 was approximately HK$1,793,000. The shares were sold during 2018 for approximately HK$865,000.

11. The shares was first acquired in 2018. The investment cost in 2018 was approximately HK$1,114,000. The shares were sold during 2018 for approximately HK$879,000.

12. The shares was first acquired in 2018. The investment cost in 2018 was approximately HK$427,000. The shares were sold during 2018 for approximately HK$355,000.

13. Taking into account that i) respective share price performance; ii) financial performance of the respective companies; and iii) the Group's operating fund requirements, the Company had disposed of the investment (as described from Note 5 to Note 12) in 2018.

14. As none of the applicable percentage ratios calculated in accordance with Chapter 19 of the GEM Listing Rules in relation to each of the disposals of shares (as described from Note 5 to Note 12), or when aggregate exceeded 5%, each of the disposals of shares did not constitute any notifiable transaction.

Significant Investments, Acquisitions and Disposal

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

The Remaining Group entered into a sale and purchase agreement with Cosmic Bliss Limited on 29 May 2017, to purchase the entire issued share capital of Shunxin Holdings Limited at the maximum consideration of HK$120,000,000, which shall be settled by the issue of the consideration convertible bonds. Upon completion of such acquisition, the target company and its subsidiaries will become wholly-owned subsidiaries of the Company and accordingly, their financial results will be consolidated into the accounts of the Company. Such sale and purchase agreement was terminated on 2 January 2018.

The Remaining Group entered into an agreement with Yardley on 17 July 2017 to purchase the sale shares, representing 50% of the issued share capital of the target company for cash consideration of HK$55,000,000. On 31 July 2017, 17 January 2018 and 19 March 2019, three supplemental agreements were entered into between the parties to revise the date of payment and to extend the long stop date of the agreement. As at 30 June 2019, the amount of HK$11,156,949 remained outstanding.

The Remaining Group entered into a sale and purchase agreement with Guo Weifu on 27 August 2018 to purchase the entire issued capital of Max Joint Asia Pacific (China) Limited, at the consideration of HK$46,500,000. Upon Completion and subject to audit, the target company and its wholly-owned subsidiaries are expected to be accounted for as indirect wholly-owned subsidiaries of the Company, and Higreen Agricultural Product Logistics Company Limited and its subsidiary are expected to be accounted for as investments to the Company. The acquisition has been completed on 25 October 2018. An aggregate of 465,000,000 consideration shares were allotted and issued at the issue price of HK$0.10 each.

The Remaining Group entered into an equity transfer agreement with an independent third party on 29 November 2018 to sell the entire equity interest in Shenzhen City Jintaiyuan Investment Development Company Limited at the consideration of RMB21,000,000. The equity change registration completion date took place on 11 December 2018.

Save as disclosed above, the Remaining Group had no other significant investments, acquisitions and disposal during the year ended 31 December 2018.

Exposure to Fluctuations in Exchange Rates

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

Charge on the Remaining Group Assets

As at 30 June 2019, the Remaining Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK$7,906,000. Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK$10,568,000. Furthermore, the Remaining Group had charges on one of its investment properties in Hong Kong to obtain term loans from a money lender in Hong Kong of approximately HK$13,000,000.

As at 30 June 2019, A term loan obtained by Asiaciti Management Limited, an independent third party of the Remaining Group, with a principal amount of RMB4,550,000, bears interest rate at 8% per annum for a period of three years up to 14 January 2022 is secured by an unlisted investment held by the Remaining Group with an aggregated carrying amount of approximately HK$21,833,000, which represents unlisted equity securities issued by a private entity incorporated in the PRC.

Income stream and major cost components

The following shows the income stream and major cost components of each of the Remaining Group's segment:

One-Stop Value Chain Services

The Remaining Group's revenue was mainly generated from the One-Stop Value Chain Services Segment and it recorded a revenue of HK$28,880,000 for the year ended 31 December 2018, which accounted for approximately 61.6% of the total revenue generated for that year. As mentioned above, customers of the Remaining Group usually place orders on order basis. The customers would place orders after the Remaining Group provide solutions to their enquiries, and the customers would pay deposit for their orders. After receiving the information technology related products from the Remaining Group's suppliers, the customers would pay the remaining at the time they receive those products. The major cost to the Remaining Group in this segment is the cost of ordering products for the customers as well as distribution fee.

For the nine months ended 30 September 2019, this business segment reported a revenue of approximately HK$1,930,000, representing a decrease of approximately 92.5% as compared with the last corresponding period. The significant decrease was due to decrease in purchase orders from customers and some purchase orders were not accepted by suppliers.

The One-Stop Value Chain Services Segment is the advisory and merchandise/sale services of data storage hardware provided by our professional team. Led by the team leader who is a senior management with more than 15 years' solid experience in IT and marketing, he started his career in the IT field back in 1999 opened a factory specializing in the production of game console peripheral accessories with main markets in the United States, Australia, Europe, South America, and the Middle East. Since then he has been selling and marketing other products such as electrical appliances, game consoles, memory cards, MicroSD Card and USB drive, the main markets are Hong Kong, Shenzhen and the Middle East, the team comprised of another two members are dedicated to knowing and understanding the customers' needs and expectation with their profound knowledge in data storage and handling solutions and different information technology products.

Our staff will perform wide range research on data storage solutions and come up with tailor-made solutions to satisfy the customers' business needs and up to their satisfaction. Market analysis and development solutions will also be implemented to cater for different situations. Follow-up services such as installation and maintenance of the data storage hardware and related updating services will also be provided.

In December 2019, the segment has recorded revenue of over HK$3 million with a team of 6 staffs, one major supplier and 5 major customers. The Group has customer dealing with it for more than 5 years and the major supplier has been working with the Group for approximately 3 years. Our customers over the years are mainly engaged in the IT related fields such as sales and marketing of IT related products, more recently memory cards, MicroSD Card and USB drive, computer peripheral products, and scientific and technological innovation companies. Our suppliers on the other hand mainly engaged in memory cards, MicroSD Card, USB drive and their raw materials, computer peripheral products, electrical and electronic products.

Due to the trade war between China and the United States which affected the globally, information technology related business bore the brunt of the wave. In addition to the local economic condition in Hong Kong in 2019, the operation of the One-Stop Value Chain Services Segment was affected but from October 2019, this segment took a turn for the better with its revenue picking up. The One-Stop Value Chain Services Segment is not capital intensive in nature and largely depends on professionals, i.e. our professional team for their know-how and ability to source suitable data storage hardware.

The Group has been engaged in the one-stop value added chain service for more than 10 years. The unsatisfactory financial performance in this sector this year is regarded as an occasional downturn. The Company will continue to operate this segment cautiously. When opportunities arise, the Company will consider diversifying the business of this segment into other related fields.

Property Investment

The Remaining Group was recorded with a revenue of HK$597,000 in rental income under the Property Investment Segment for the year ended 31 December 2018. The revenue was mainly generated from rental income of commercial units in the PRC. The revenue of this segment can also be generated from the appreciation of property value. The major cost in the Property Investment Segment are monthly property management fee, the yearly property tax to the PRC government and the investment cost of the properties.

For the nine months ended 30 September 2019, all remaining investment properties are vacant and are available for lease on sale.

Trading of Consumables and Agricultural Products

The Trading of Consumables and Agricultural Products Segment recorded a revenue of HK$6,045,000 for the year ended 31 December 2018, and the trading of consumables and agricultural products are recognised mainly by the sales of reusable bags. Upon reviewing samples, the customers would pay deposits to the Remaining Group. The Remaining Group would issue invoices for the remaining amount to the customers after fulfilling the orders by either delivering the products to them or make available the products for the customers' collection. The major cost to the Remaining Group in this segment is the manufacturing cost from the factory for the reusable bags as well as distribution fee.

For the nine months ended 30 September 2019, this business segment reported a revenue of approximately HK$7,137,000. This business segment is mainly composed of re-usable bags trading business and bulk commodities trading in resin plastics (ABS) and polyethylene plastics (PE) which commenced in 2019.

Trading of Grocery Food Products

The Trading of Grocery Food Products Segment recorded a revenue of HK$5,769,000 for the year ended 31 December 2018. Revenue for this segment represents the value of goods sold in supermarkets and convenience stores after deduction of distribution fee, allowances for returns (if any) and slotting fee paid to supermarkets and convenience stores. The major cost components in this segment are the shipping and storage of grocery food products and the slotting fee.

For the nine months ended 30 September 2019, this business segment reported a revenue of approximately HK$3,714,000, representing a decrease of approximately 16.6% as compared with the last corresponding period.

Provision of Money Lending Services

The Remaining Group was recorded with a revenue that was generated from the Money Lending Services Segment at HK$1,568,000 for the year ended 31 December 2018. Interest income are received on the repayment of loan of customers according to the loan agreement signed between the Remaining Group and the customers. The major cost of operating this segment is the cost of alternative use of the principal amount and staff cost.

For the nine months ended 30 September 2019, this business segment reported a revenue of approximately HK$1,026,000, representing a decrease of approximately 76.1% as compared with the last corresponding period. 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 Remaining Group's revenue generated from the Financial Services Segment was recorded at HK$4,002,000 for the year ended 31 December 2018. After mandates are signed by customers, the Remaining Group would receive partial payments and full payments upon completion of the service. The Remaining Group's major cost in the provision of financial services segment are the staff's remuneration.

For the nine months ended 30 September 2019, this business segment reported a revenue of approximately HK$1,710,000, representing a decrease of approximately 65.1% as compared with the last corresponding period. The decrease was mainly due to the corporate finance division was only working on existing mandates.

Major customers and suppliers

As at 30 September 2019, the One-Stop Value Chain Services Segment has 1 major customer and 1 major supplier. The major customers and major suppliers are information technology related companies.

As at 30 September 2019, all investment properties in the Property Investment Segment are vacant and are available for lease on sale.

As at 30 September 2019, the Trading of Consumables and Agricultural Products Segment has more than 30 customers which engaged in different kinds of business and more than 10 major suppliers which engaged in manufacturing and trading of raw materials.

As at 30 September 2019, the Trading of Grocery Food Products Segment has 4 major customers which are supermarkets and convenience stores and a major supplier which is food wholesaler and distributor.

As at 30 September 2019, the Money Lending Services Segment has less than 10 major customers.

As at 30 September 2019, the Financial Services Segment has less than 10 major customers which are listed companies in Hong Kong.

Future Plans for Material Investments or Capital Assets

The Remaining Group will continue to focus on the existing segments and allocate resources carefully in different business segments to optimise the investment strategies. It will also use its best endeavors to develop its new business of resin plastics (ABS) and polyethylene plastics (PE) products in the future.

Outlook and Future Plans

Looking ahead, the global economy was still clouded by trade wars and trade protectionism. In addition to social unrest locally, local economy, stock market and economic growth are likely to be affected. However, the Remaining Group will continue allocating its resources carefully in different business segments as to optimise its investment returns.

In order to respond to this situation, the Remaining Group has formulated a specific development plan relating to its principal business segments in the future.

One-stop value chain services

The performance of this segment has dropped significantly as stated above. Nevertheless, the Remaining Group is still working on improvement plan.

Property investment

The Remaining Group will continue to monitor its property investment portfolio and strategy to cope with the changing market conditions. In view of the current market environment and business prospects of the property market in the PRC, and having regard to the uncertain business operation environment of the property leasing market in the PRC, the Remaining Group is looking at disposing certain investment properties in the PRC.

Trading of consumables and agricultural products

The business segment for trading of consumables and agricultural products was mainly composed of re-usable bags trading business and bulk commodities trading of plastic products. The business segment demonstrates potential and the Remaining Group is optimistic about its future contribution.

Trading of grocery food products

The Remaining Group will focus its resources on Nittin brand of ramen and udon products in this segment.

Provision of money lending services

The Remaining Group's money lending services segment continues to make stable contribution to the Remaining Group's revenue. The Remaining Group is re-visiting its credit control policy and look to further expand this business segment if and when financial resources are available.

Provision of financial services

The Remaining Group has 2 licensed subsidiaries providing advising on securities and asset management services, and advising on corporate finance services. Due to current market situation, the Remaining Group has ceased the operation of advising on corporate finance services. However, the Remaining Group is hoping that advising on securities and asset management services will make positive contribution to the Remaining Group's revenue and profit.

Other Developing Business

The Remaining Group has conducted the business of bulk commodities trading in the first half of this year, and the products are mainly resin plastics (ABS) and polyethylene plastics (PE). The management of the Company considered that under the current uncertain economic environment, conducting the new business of bulk commodities trading can disperse risks and diversify the businesses of the Remaining Group. At the same time, the management of the Company also actively identifies plastic related business opportunities to create value for the Shareholders and ensure the maximization of the interests of the Shareholders.

Capital Expenditure needs

As at 30 June 2019, the Remaining Group did not have any significant capital expenditure requirements.

Contingent Liabilities and Guarantee

As at 30 June 2019, the Remaining Group has provided financial guarantee to Gold Wide Holdings Limited, which is classified as an interest in associate in the financial statements of the Remaining 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.

Capital Commitments

As at 30 June 2019, the Remaining Group had capital commitments amounting to approximately HK$10,000,000.

Employees and Remuneration Policies

As at 30 June 2019, the Remaining Group had 46 full-time employees. Staff costs for the six months ended 30 June 2019, including Directors' emoluments, were approximately HK$8,048,000, which is approximately 33.5% less than the same period in 2018. The Remaining 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 Remaining Group's performance as well as individual contribution.

In accordance with paragraph 68(2)(b)(i) of Chapter 19 of the GEM Listing Rules, the Company is required to include in this circular a profit and loss statement for the three years ended 31 December 2016, 2017, 2018 and for the nine months ended 30 September 2019 ("the Relevant Periods") on the identifiable net income stream in relation to the Properties which must be reviewed by the reporting accountant to ensure that such information has been properly compiled and derived from the underlying books and records.

The unaudited profit and loss statements of identifiable net income stream attributable to the Properties to be disposed for the Relevant Periods (the "Unaudited Profit and Loss Statements") prepared by the Directors are set out below:

	Year ended 31 December			Nine months ended 30 September
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2,747	3,397	4,556	2,432
Cost of sales	(463)	(409)	(431)	(14)
Gross profit	2,284	2,988	4,125	2,418
(Loss) gain from changes in fair value of investment properties, net	–	(4,042)	15,189	–
Administrative expenses	(189)	(170)	(90)	(98)
Finance cost	–	(2,550)	(1,845)	(1,758)
Profit (loss) before income tax expense	2,095	(3,774)	17,379	562

Pursuant to paragraph 68(2)(b)(i) of Chapter 19 of the GEM Listing Rules, the Directors engaged Asian Alliance (HK) CPA Limited ("Asian Alliance"), the reporting accountant of the Company, to perform certain factual finding procedures on the compilation of the Unaudited Profit and Loss Statements as shown above in accordance with Hong Kong Standard on Related Services 4400 "*Engagements to perform Agreed-Upon Procedures Regarding Financial Information*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The procedures are performed solely to assist the Directors in evaluating whether the amounts shown in the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records for the purpose of satisfying the requirements under paragraph 68(2)(b)(i) of Chapter 19 of the GEM Listing Rules, and are summarised as follows:

1. To obtain the Unaudited Profit and Loss Statements which were prepared by the management of the Company, and check its arithmetical accuracy for the Relevant Periods; and

2. In respect of the Unaudited Profit and Loss Statements obtained, compare the balances shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Group for the Relevant Periods.

The reporting accountant's factual findings are as follows:

1. With respect to item 1, Asian Alliance obtained the Unaudited Profit and Loss Statements, which were prepared by the management of the Company, and found the amounts in the Unaudited Profit and Loss Statements to be arithmetically accurate.

2. With respect to item 2, Asian Alliance obtained the Unaudited Profit and Loss Statements, and compared the amounts shown on the Unaudited Profit and Loss Statements with the relevant amounts in the underlying books and records of the Group for the Relevant Periods and found them to be in agreement.

Asian Alliance has performed the above agreed-upon procedures set out in the relevant engagement letter with the Company and reported its factual findings based on the agreed-upon procedures to the Directors. Pursuant to the terms of the relevant engagement letter between the Company and Asian Alliance, the reported factual findings should not be used or relied upon by any other parties for any purpose.

In the opinion of the Directors, the Unaudited Profit and Loss Statements have been properly compiled and derived from the underlying books and records. The work performed by Asian Alliance in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, Hong Kong Standards on Assurance Engagements or Hong Kong Standards on Investment Circular Reporting Engagements issued by the HKICPA and, consequently, no assurance has been expressed by Asian Alliance on the Unaudited Profit and Loss Statements.

The following is the text of a report from Asian Alliance (HK) CPA Limited, the independent reporting accountant, in respect of the unaudited pro forma financial information of the Remaining Group as set out in this Appendix and prepared for the sole purpose of inclusion in this circular.

華融(香港)會計師事務所有限公司
Asian Alliance (HK) CPA Limited

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHINA ECO-FARMING LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Eco-Farming Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net assets statement as at 30 June 2019, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2018 and related notes of the Group (the "Unaudited Pro Forma Financial Information") as set out on pages III-7 to III-11 of the circular issued by the Company dated 23 March 2020 (the "Circular") in connection with the proposed disposal of certain properties pursuant to a sale and purchase agreement dated 29 October 2019 (the "Disposal"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-9 to III-11 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Disposal on the Group's net assets as at 30 June 2019 and the Group's financial performance for the year ended 31 December 2018 as if the transaction had taken place at 30 June 2019 and 1 January 2018, respectively. As part of this process, information about the Group's net assets as at 30 June 2019 has been extracted by the Directors from the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 dated 8 August 2019 on which an interim report has been published, and information about the Group's financial performance for the year ended 31 December 2018 has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2018 dated 28 March 2019, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars*" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "*Code of Ethics for Professional Accountants*" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "*Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 31(7) of Chapter 7 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in Circular is solely to illustrate the impact of the Disposal on unadjusted financial information of the Group as if the Disposal had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 30 June 2019 or 1 January 2018 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Disposal, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the Disposal in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Asian Alliance (HK) CPA Limited
Certified Public Accountants
Lam Chik Tong
Practising Certificate Number: P05612

8/F, Catic Plaza
8 Causeway Road
Causeway Bay
Hong Kong

23 March 2020

INTRODUCTION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is an illustrative unaudited pro forma consolidated net assets statement as at 30 June 2019 and unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2018 of China Eco-Farming Limited (the ''Company'') and its subsidiaries (collectively referred to as the ''Group'') regarding the proposed disposal of certain properties (the ''Properties'') pursuant to a sale and purchase agreement dated 29 October 2019 (the ''Disposal'') (collectively referred to as the ''Remaining Group'') (the ''Unaudited Pro Forma Financial Information''). The Unaudited Pro Forma Financial Information presented below is prepared to illustrate effects of the Disposal on the consolidated net assets statement and the consolidated statement of profit or loss of the Remaining Group as if the Disposal had been completed on 30 June 2019 and 1 January 2018, respectively.

The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the ''Directors'') in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the ''GEM Listing Rules'') for the purpose of illustrating the effect of the Disposal pursuant to the terms of the sale and purchase agreement dated 29 October 2019 entered into among the Group and Mr. Cai Weiyuan (the ''Sale and Purchase Agreement''), which has been later assigned to Mr. Chen Chunhui. Details of the Sale and Purchase Agreement are set out in the Letter from the Board contained in this circular.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019, which has been extracted from the Group's published interim report for the six months ended 30 June 2019 dated 8 August 2019, (ii) the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 December 2018, which has been extracted from the Group's published annual report for the year ended 31 December 2018 dated 28 March 2019 and (iii) adjusted on a pro forma basis to reflect the effect of the Disposal. A narrative description on these pro forma adjustments that are (i) directly attributable to the Disposal and not relating to future events and decisions; and (ii) factually supportable based on the terms of the Sale and Purchase Agreement.

The Unaudited Pro Forma Financial Information has been prepared using accounting policies consistent with that of the Group. The Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. Accordingly, the Unaudited Pro Forma Financial Information does not purport the true picture of the consolidated net assets statement of the Remaining Group as at 30 June 2019 had the Disposal been completed on 30 June 2019 or the consolidated financial performance of the Remaining Group for the year ended 31 December 2018 had the Disposal been completed on 1 January 2018 nor purport to predict the future net assets statement or financial performance of the Group.

The Unaudited Pro Forma Financial Information should be read in conjunction with (i) the audited consolidated financial statements of the Group for the year ended 31 December 2018 dated 28 March 2019, (ii) the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 dated 8 August 2019 and (iii) other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

	Audited consolidated statement of profit or loss of the Group for the year ended 31 December 2018	Pro forma adjustments		Unaudited pro forma consolidated statement of profit or loss of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 2)	*(Note 5)*	*(Note 6)*	
Revenue				
Goods and services	44,696	–	–	44,696
Rental	5,153	–	(4,556)	597
Interest	1,568	–	–	1,568
Total revenue	51,417	–	(4,556)	46,861
Cost of sales	(37,798)	–	431	(37,367)
Gross profit	13,619	–	(4,125)	9,494
Other gains or loss	7,587	–	–	7,587
Gain from changes in fair value of investment properties, net	16,249	–	(15,189)	1,060
Loss from change in fair value of financial assets at fair value through profit or loss	(20,486)	–	–	(20,486)
Loss on disposal of investment properties	–	(22,120)	–	(22,120)
Selling and distribution expenses	(1,232)	–	–	(1,232)
Administrative expenses	(63,626)	–	90	(63,536)
Share results of associates	(2,382)	–	–	(2,382)
Finance costs	(9,251)	–	1,845	(7,406)
Loss before tax	(59,522)	(22,120)	(17,379)	(99,021)
Income tax expense	(984)	–	–	(984)
Loss for the year	(60,506)	(22,120)	(17,379)	(100,005)
Loss for the year attributable to:				
Owners of the Company	(68,428)	(11,060)	(8,690)	(88,178)
Non-controlling interests	7,922	(11,060)	(8,689)	(11,827)
	(60,506)	(22,120)	(17,379)	(100,005)

UNAUDITED PRO FORMA CONSOLIDATED NET ASSETS STATEMENT OF THE REMAINING GROUP

	Unaudited consolidated net assets statement of the Group as at 30 June 2019	Pro forma adjustments		Unaudited pro forma consolidated net assets statement of the Remaining Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 3)*	*(Note 4)*	
NON CURRENT ASSETS				
Plant and equipment	5,085	–	–	5,085
Investment properties	169,800	(106,004)	–	63,796
Goodwill	4,272	–	–	4,272
Interests in associates	74,140	–	–	74,140
Equity instruments at fair value through other comprehensive income	21,842	–	–	21,842
Deposit paid for acquisition of a subsidiary	45,250	–	–	45,250
	320,389	(106,004)	–	214,385
CURRENT ASSETS				
Inventories, finished goods	996	–	–	996
Trade and other receivables	42,510	–	–	42,510
Loan and interest receivables	23,701	–	–	23,701
Loan to an associate	29,934	–	–	29,934
Financial assets at fair value through profit or loss	10,568	–	–	10,568
Bank balances and cash	4,619	74,152	(28,417)	50,354
	112,328	74,152	(28,417)	158,063
CURRENT LIABILITIES				
Trade and other payables	7,691	–	–	7,691
Contract liabilities	250	–	–	250
Amount due to non-controlling interests	2,995	–	–	2,995
Borrowings	81,569	–	(28,417)	53,152
Margin loan payables	6,700	–	–	6,700
Income tax payables	833	–	–	833
	100,038	–	(28,417)	71,621
NET CURRENT ASSETS	12,290	74,152	–	86,442
TOTAL ASSETS LESS CURRENT LIABILITIES	332,679	(31,852)	–	300,827
NON-CURRENT LIABILITIES				
Deferred tax liabilities	22,022	–	–	22,022
NET ASSETS	310,657	(31,852)	–	278,805

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2019 as set out in the published interim report of the Group for the six months ended 30 June 2019 dated 8 August 2019.

(2) The figures are extracted from the Group's audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 as set out in the published annual report of the Group for the year ended 31 December 2018 dated 28 March 2019.

(3) Pursuant to the Sale and Purchase Agreement, the Group has conditionally agreed to sell and the Buyer has conditionally agreed to buy the Properties at a consideration of approximately HK$77,326,000 (equivalent to RMB69,449,988) in cash. The adjustment represents the pro forma loss on the Disposal as if the Disposal had been taken place on 30 June 2019.

	HK$'000
Calculation of pro forma loss on the Disposal:	
Consideration	77,326
Less: Estimate direct expenses in relation to the Disposal *(Note)*	(3,174)
	74,152
Less: Carrying value of the Properties as at 30 June 2019	(106,004)
Loss on Disposal	(31,852)
Net increase in bank balance and cash on the Disposal:	
Consideration	77,326
Less: Estimate direct expenses in relation to the Disposal *(Note)*	(3,174)
	74,152

Note: The amount represents estimated direct expenses incurred by the Group in relation to the Disposal which mainly include professional fees and property agent commission.

The gain or loss on the Disposal is subject to changes at the actual date of completion.

(4) Pursuant to the Sale and Purchase Agreement, the borrowings secured by the Properties shall be repaid upon the completion of the Disposal (the "Completion"). As at 30 June 2019, three outstanding secured bank borrowings amounted to approximately HK$28,417,000 are secured by the Properties. The adjustment represents the settlement of these secured borrowings upon the Completion.

(5) The adjustment represents the pro forma loss on the Disposal as if the Disposal had been taken place on 1 January 2018.

	HK$'000
Calculation of pro forma gain on the Disposal:	
Consideration	77,326
Less: Estimate direct expenses in relation to the Disposal *(Note)*	(3,174)
	74,152
Less: Carrying value of the Property as at 1 January 2018	(96,272)
Loss on Disposal	(22,120)
Net increase in bank balance and cash on the Disposal:	
Consideration	77,326
Less: Estimate direct expenses in relation to the Disposal *(Note)*	(3,174)
	74,152

Note: The amount represents estimated direct expenses incurred by the Group in relation to the Disposal which mainly include professional fees and property agent commission.

The gain or loss on the Disposal is subject to changes at the actual date of completion.

(6) The adjustments are set forth to illustrate the effect of excluding the results of operation of the Properties from the Group's financial performance for the year ended 31 December 2018 as if the Disposal had been taken place on 1 January 2018.

The adjustments in the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2018 reflect the followings:

(a) The decrease in revenue of approximately HK$4,556,000, being the reversal of the rental income from the Properties;

(b) The decrease in cost of sales, administrative expenses and finance costs arising from the secured borrowings of approximately HK$431,000, HK$90,000 and HK$1,845,000 respectively, being the reversal of various expenses incurred in relation to the Properties; and

(c) The decrease in gain from changes in fair value of approximately HK$15,189,000, being the reversal of the fair value gain arising from the Properties.

(7) The above pro forma adjustments are not expected to have continuing effect on the Remaining Group in the subsequent reporting periods.

(8) No adjustments have been made to reflect any operating results or other transactions of the Remaining Group entered into subsequent to 31 December 2018 and 30 June 2019, for the preparation of the unaudited pro forma consolidated statement of profit and loss of the Remaining Group for the year ended 31 December 2018 or the unaudited pro forma consolidated net assets statement of the Remaining Group as at 30 June 2019, respectively.

RAVIA GLOBAL APPRAISAL ADVISORY LIMITED

Unit B, 12/F., CKK Commercial Centre
289 Hennessy Road, Wan Chai, Hong Kong
T: (852) 2811 1876 F: (852) 3007 8501
W: www.raviagroup.com
E: general@raviagroup.com

23 March 2020

China Eco-Farming Limited
Room 2002, 20/F,
Overseas Trust Bank Building,
160 Gloucester Road,
Hong Kong

Dear Sirs/Madams,

Re: Suites 33A to 33H on 33rd Floor, Shidai-Caifu Building, No.88 Fuhua Third Road, Futian District, Shenzhen City, Guangdong Province, the People's Republic of China

According to the instructions of China Eco-Farming Limited (the "**Company**", and together with its subsidiaries, the "**Group**") to value the property in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property as at 31 December 2019 (the "**Date of Valuation**") for the purpose of incorporation into the circular issued by the Group.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

We have valued the property by the direct comparison approach assuming sale of the property in its existing state with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market.

3. TITLE INVESTIGATION

For the property in the PRC, we have relied on the advice given by the Group and its legal advisor Guangdong Zhuojian Law Firm (廣東卓建律師事務所) that the Group has valid and enforceable title to the property which is freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the property in the market in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the value of such property. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the property and no allowance has been made for the property to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, floor areas, ages of buildings and all other relevant matters which can affect the value of the property. All documents have been used for reference only.

Dimension, measurements and areas included in the valuation report attached are based on information provided to us and are therefore only approximations. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct. We were also advised by the Group that no material facts have been omitted from the information provided.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of certain property. No structural survey has been made in respect of the property. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value.

In valuing the property, we have complied with the HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the requirements contained in Chapter 8 of the GEM Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuation are in Reminbi (RMB).

Our Valuation Certificate is attached herewith.

Yours faithfully,
For and on behalf of
Ravia Global Appraisal Advisory Limited

Dr. Alan W K Lee
PhD(BA) MFin BCom(Property)
MHKIS RPS(GP) AAPI CPV CPV(Business)
Director

Note: Dr. Alan W K Lee is a Registered Professional Surveyor (General Practice), a member of Hong Kong Institute of Surveyors and an Associate of Australian Property Institute. He has over 15 years' valuation experience in Hong Kong, Macau, the PRC, the Asia Pacific Region, European countries and America countries.

VALUATION CERTIFICATE

Property intended to be disposed of by the Group in Hong Kong

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 December 2019
Suites 33A to 33H on 33rd Floor, Shidai-Caifu Building, No.88 Fuhua Third Road, Futian District, Shenzhen City, Guangdong Province, the PRC 中國廣東省深圳市福田區福華三路88號時代財富大廈33樓33A至33H室	The property comprises 8 office units on level 33 of a commercial building completed in about 2007. The property has a total gross floor area of 1,693.45 sq.m.. The land use rights of the property have been granted for a term of 50 years expiring on 25 June 2050 for office use.	As advised by the Group, Units A, B, C, D, E and F, of the property with a gross floor area of 1,036 sq.m. are subject to a tenancy agreement for a term of 3 years with a monthly rent of RMB248,640. Remaining of the property is occupied by the Group for office use.	RMB69,500,000

Notes:

1. Pursuant to the 8 Real Estate Title Certificates, the property with a total gross floor area of 1,693.45 sq.m. is held by 深圳市盛世富強科技有限公司 for a term of 50 years expiring on 25 June 2050 for office use.

2. The inspection of the property was performed by Alan W K Lee in November 2019.

3. The property was acquired by 深圳市盛世富強科技有限公司 from Mr. Xiao Jin Cong at an aggregate consideration of RMB40,002,273 in 2009.

4. We have been provided with a legal opinion on the property issued by the Group's PRC legal adviser, which contains, *inter alia*, the following:

   (a) 深圳市盛世富強科技有限公司 has legally obtained the land use rights and building ownership of the property. 深圳市盛世富強科技有限公司 is the sole owner of the property and has the rights to transfer the property in the market.

   (b) Units 33C, 33D, 33E, 33F, 33G and 33H of the property are subject to a mortgage.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular 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 circular misleading.

B. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, none of the Directors had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) was required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) was required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

C. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as the Directors are aware of and having made due enquiries, the following persons (other than the Directors or chief executives of the Company) had interests or short position in the Shares or underlying Shares disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the Shares and underlying Shares

Name	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital
Ng Kwok Wai	Beneficial owner	99,980,000	10.72%
Tin Yuen Sin Carol	Beneficial owner	54,540,000	5.85%
So Chi Ming	Beneficial owner	48,316,000	5.18%

Save for disclosed above, the Company is not aware of any other person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

D. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the Group within two years immediately preceding the date of this circular, which are or may be material to the Group as a whole:

(i) the Sale and Purchase Agreement;

(ii) the placing agreement dated 20 September 2019 entered into between the Company and Head & Shoulders Securities Limited, as the placing agent, relating to the Company's placing of up to 155,426,486 new Shares at the placing price of HK$0.055 per Share under general mandate. The completion of the placing took place on 31 October 2019 with net proceeds of approximately HK$8.4 million;

(iii) the renewed trademark licence agreement and the renewed sole distributorship agreement dated 25 March 2019 entered into between Right Ocean Asia Limited, a company owned as to 51% by a wholly-owned subsidiary of the Company and Chan Kee Holdings Limited relating to grant the exclusive licence to use the trademarks and tradenames of "NITTIN" and 「日丁」and to appoint Right Ocean Asia Limited as sole and exclusive distributor of the relevant products in Hong Kong, Macau and Taiwan;

(iv) the third supplemental agreement dated 19 March 2019 entered into between Skyline and Yardley in respect of the further extension of long stop date and completion deadline, balance payment and interest payment arrangement for the Acquisition detailed in the section headed "Update on the Acquisition";

(v) the strategic cooperation agreement dated 13 January 2019 entered into between China Agricultural Finance Group Limited, a wholly-owned subsidiary of the Company, Jinan Rongchao Financial Services Limited*（濟南融超金融服務有限公司）and Gulfstream Capital Limited relating to establishing a nationwide integrated financial services system platform for micro and small-sized enterprises in the PRC by establishing a joint venture in Jinan in the PRC;

(vi) the strategic cooperation agreement dated 21 December 2018 entered into between the Company, Golden Sino (Holdings) Limited and Gulfstream Capital Limited relating to establishing a nationwide financing platform for small and medium-sized enterprises in the PRC by incorporating a joint venture in Hong Kong;

(vii) the memorandum dated 14 December 2018 entered into between the Transferor (as defined below) and Transferee (as defined below) relating to extension of the final payment of RMB7,000,000 to be paid within six months upon signing of the memorandum;

(viii) the equity transfer agreement dated 29 November 2018 entered into between, Shenzhen City Chengqi Enterprise Consultancy Management Company Limited *（深圳市承啟企業諮詢管理有限公司）, an indirect wholly-owned subsidiary of the Company (the "**Transferor**") and Shenzhen City Qianhai Agricultural Product Management Company Limited *（深圳市前海農產品投資管理有限公司）(the "**Transferee**"), relating to disposal of the entire equity interest in Shenzhen City Jintaiyuan Investment Development Company Limited*（深圳市金泰園投資發展有限公司）at the consideration of RMB21,000,000;

(ix) the sale and purchase agreement dated 27 August 2018 entered into between King Noble Holdings Limited, an indirect wholly-owned subsidiary of the Company, Guo Weifu and the Company relating to the acquisition of the entire issued shares in Max Joint Asia Pacific (China) Limited at the consideration of HK$46,500,000 involving the issue of an aggregate of 465,000,000 consideration shares at the issue price of HK$0.1 each under general mandate. The completion of the acquisition took place on 25 October 2018;

(x) the letter of intent dated 29 May 2018 in relation to possible subscription of not more than 1,460,710,497 new Shares by a company incorporated with limited liability in Hong Kong and a subsidiary of Tangshan Financial Holding Group Inc., a company incorporated with limited liability in PRC;

(xi) the placing agreement dated 9 March 2018 entered into between the Company and Kingston Securities Limited, as the placing agent, relating to the Company's placing of up to 1,200,000,000 new Shares at the placing price of HK$0.083 per Share under general mandate. The completion of the placing took place on 29 March 2018 with net proceeds of approximately HK$96.9 million; and

(xii) the placing agreement dated 20 February 2018 (as supplemented by the supplemental agreement dated 5 March 2018 to extend the placing period and the long stop date) entered into between the Company and VC Brokerage Limited, as the placing agent, relating to the Company's placing of up to 1,200,000,000 new Shares at the placing price of HK$0.08334 per Share under general mandate, which was terminated by the termination agreement dated 9 March 2018.

E. DIRECTOR'S INTERESTS IN CONTRACTS AND ARRANGEMENTS/ASSETS

None of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

F. SERVICE CONTRACTS

As at the Latest Practicable Date, there is no service contract or proposed service contract between the Directors and any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

G. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined under the GEM Listing Rules) had any business or interest, which competes or may compete with the business of the Group.

H. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

I. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Asian Alliance (HK) CPA Limited	certified public accountants
Ravia Global Appraisal Advisory Limited	independent professional property valuer
Guangdong Zhuojian Law Firm （廣東卓建律師事務所）	PRC lawyer

Asian Alliance (HK) CPA Limited, Ravia Global Appraisal Advisory Limited and Guangdong Zhuojian Law Firm (廣東卓建律師事務所) have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its letter and report and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Asian Alliance (HK) CPA Limited, Ravia Global Appraisal Advisory Limited and Guangdong Zhuojian Law Firm (廣東卓建律師事務所) did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

J. GENERAL

(i) The secretary of the Company is Mr. Ng Cheuk Fan, Keith, who is a member of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants.

(ii) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(iii) The Company's head office and principal place of business in Hong Kong is situated at Room 2002, 20/F., Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong.

(iv) The Company's branch share registrar and transfer office in Hong Kong is Union Registrars Limited located at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong.

(v) The compliance officer of the Company is Mr. So David Tat Man, who is a professional member of The Royal Institution of Chartered Surveyors.

(vi) In case of inconsistency, the English text of this circular shall prevail over the Chinese text.

(vii) The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control and risk management systems of the Group. As at the Latest Practicable Date, the audit committee of the Company comprised three independent non-executive Directors, namely, Ms. Yuen Wai Man (chairman), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min, and their biographical details are as follows:

Ms. Yuen Wai Man ("**Ms. Yuen**"), aged 48, was appointed as an independent non-executive Director in September 2016. Ms. Yuen is also the chairman of the audit committee and members of the nomination committee and remuneration committee of the Company. Ms. Yuen graduated from The University of Hong Kong with a degree in Business Administration in 1994. She is the fellow member of The Association of Chartered Certified Accountants, fellow member of The Hong Kong Institute of Certified Public Accountants and overseas member of The Chinese Institute of Certified Public Accountants. Ms. Yuen has worked in accounting and auditing area for over 23 years. Ms. Yuen is currently an independent non-executive director of Chinese Strategic Holdings Limited (stock code: 8089), a company listed on GEM. Ms. Yuen was also an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock code: 145), a company listed on the Main Board from November 2011 to November 2017.

Mr. Yick Ting Fai, Jeffrey ("**Mr. Yick**"), aged 35, was appointed as an independent non-executive Director in September 2014. Mr. Yick is also the chairman of the remuneration committee and members of the audit committee and nomination committee of the Company. Mr. Yick graduated from The Hong Kong Polytechnic University with a Bachelor of Science degree. He subsequently obtained the Juris Doctor degree as well as the Postgraduate Certificate in Laws (PCLL) from The Chinese University of Hong Kong. Mr. Yick was admitted to practice law as a solicitor in Hong Kong in 2012. He has been a member of The Law Society of Hong Kong since then. Mr. Yick worked in both international and reputable local law firms and is currently working as a solicitor with emphasis on corporate finance practice at a local law firm. Mr. Yick principally engages in Hong Kong listing projects and assists in legal compliance of Hong Kong listed companies. Mr. Yick was an independent non-executive director of Mengke Holdings Limited (stock code: 1629), a company listed on the Main Board from November 2016 to December 2018.

Mr. Zhang Min ("**Mr. Zhang**"), aged 62, was appointed as an independent non-executive Director in March 2015. Mr. Zhang is also the chairman of the nomination committee, members of the audit committee and remuneration committee of the Company. Mr. Zhang holds a Bachelor of Philosophy Degree from the Beijing Normal College and a Master of Laws Degree from the Renmin University of China. Mr. Zhang was an executive director of Value Convergence Holdings Limited (Stock code: 821), a company listed on the Main Board from June 2018 to December 2019.

Mr. Zhang was the chief executive officer and an executive director of Junefield Department Store Group Limited (stock code: 758) from June 2016 to August 2018, a company listed on the Main Board. Mr. Zhang was appointed as a non-executive director of China Fortune Financial Group Limited (stock code: 290) ("**China Fortune**") on 8 December 2010. He was re-designated and appointed as chairman of the board, executive director and a member of the remuneration committee of China Fortune from 12 April 2011 to 30 June 2014. In addition, Mr. Zhang was an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886), a company listed on the Main Board, from 28 January 2011 to 1 April 2014. He was also the chief marketing officer of the China Cinda Asset Management Co., Ltd from 28 April 2011 to 31 August 2013 and was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from August 2006 to March 2011. Both CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (stock code: 939) (together with its subsidiaries referred to as the "**CCBC Group**"), a joint stock company incorporated in the PRC with limited liability, whose issued shares are listed on Main Board. He was the president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

K. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) from 9:00 a.m. to 6:00 p.m. at the head office and principal place of business in Hong Kong of the Company at Room 2002, 20/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong from the date of this circular up to and including the date of SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the years ended 31 December 2018 and 2017 and the interim report of the Company for the six months ended 30 June 2019;

(iii) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(iv) the valuation report from Ravia Global Appraisal Advisory Limited, the text of which is set out in Appendix IV to this circular;

(v) the accountants' report issued by Asian Alliance (HK) CPA Limited in connection with the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

(vi) the written consents referred to under the section headed "Experts' Consent and Qualification" in this Appendix; and

(vii) this circular.

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of China Eco-Farming Limited (the "**Company**") will be held at Room 2002, 20/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong on Thursday, 9 April 2020 at 11:00 a.m., for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 23 March 2020 (the "**Circular**").

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement dated 29 October 2019 entered into between Shenzhen City Shengshi Fuqiang Technology Company Limited*（深圳市盛世富強科技有限公司）as the vendor and Mr. Chen Chunhui*（陳春輝）as the purchaser in relation to the very substantial disposal of the Company, a copy of which has been produced to the SGM marked "A" and initialled by the chairman of the SGM for the purpose of identification, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) Any one of the directors of the Company be and is hereby authorized to do all such acts and things and to execute all such documents for and on behalf of the Company as such director of the Company may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the above sale and purchase agreement."

By order of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

Hong Kong, 23 March 2020

Registered office:
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Head office and principal place of business in Hong Kong:
Room 2002, 20/F,
Overseas Trust Bank Building,
160 Gloucester Road,
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company (the "**Share(s)**") in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of a Share, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

5. The register of members of the Company will be closed from Tuesday, 7 April 2020 to Thursday, 9 April 2020, both days inclusive, during which period no transfers of shares shall be registered. In order to qualify for attending and voting at the SGM, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Monday, 6 April 2019.

6. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 8:00 a.m. on the date of the SGM, the SGM will be postponed. The Company will post an announcement on the Company's website http://www.aplushk.com/clients/8166chinaeco-farming/index.html and the "Latest Company Announcements" page of the GEM website to notify Shareholders of the date, time and place of the rescheduled SGM.

As at the date of this notice, the executive directors of the Company are Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; and the independent non-executive directors of the Company are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.

* *For identification purpose only*