



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

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GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This announcement, for which the directors of China Eco-Farming Limited (the “Company”) (the “Director(s)”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Listed Company Information” page of the GEM website for at least 7 days from the date of its posting.

HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively referred to as the “Group”) recorded an unaudited revenue of approximately HK\$14,333,000 for the six months ended 30 June 2022 (the “Reporting Period”), representing a decrease of approximately 49% as compared with approximately HK\$28,329,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$24,756,000 (six months ended 30 June 2021: HK\$9,583,000). The basic loss per share of the Company for the six months ended 30 June 2022 is 18.61 HK cents (six months ended 30 June 2021: 1.03 HK cents).

The board of directors of the Company (the “Board”) does not recommend any payment of interim dividend for the Reporting Period.

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2022 together with the comparative figures for the last corresponding periods.

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

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 \$'000	2021 \$'000 (Restated)	2022 \$'000	2021 \$'000 (Restated)
Revenue					
Goods and services		5,469	19,581	14,240	28,209
Rental		–	–	–	–
Interest		46	48	93	120
	3	5,515	19,629	14,333	28,329
Cost of sales		(5,481)	(18,721)	(15,500)	(28,427)
Gross profit		34	908	(1,167)	(98)
Other revenue	3	256	744	603	991
Selling and distribution expenses		(10)	(373)	(171)	(547)
Administrative expenses		(7,025)	4,421	(12,039)	11,998
Finance costs	5	(2,727)	(1,529)	(4,246)	(3,068)
Share of results of associates		83	779	290	837
Loss on disposal of a subsidiary		(5,547)	–	(5,547)	–
(Loss)/Gain from changes in fair value of financial assets at fair value through profit or loss		(1,022)	(465)	(2,479)	4,215
Loss before taxation		(15,958)	(4,357)	(24,756)	(9,623)
Taxation	6	–	–	–	–
Loss for the period	7	(15,958)	(4,357)	(24,756)	(9,623)

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
<i>Notes</i>	\$'000	\$'000	\$'000	\$'000
		(Restated)		(Restated)
Loss for the period	(15,958)	(4,357)	(24,756)	(9,623)
Other comprehensive income/(expense) for the period:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value change of available-for-sale investments	–	–	–	–
Exchange differences arising on translation of foreign operations	(6,223)	1,373	(6,406)	1,853
Other comprehensive income/(expense) for the period	(6,223)	1,373	(6,406)	1,853
Total comprehensive expense for the period	<u>(22,181)</u>	<u>(2,984)</u>	<u>(31,162)</u>	<u>(7,770)</u>
Loss for the period attributable to:				
– Owners of the Company	(15,969)	(4,462)	(24,198)	(9,583)
– Non-controlling interests	(11)	105	(558)	(40)
	<u>(15,958)</u>	<u>(4,357)</u>	<u>(24,756)</u>	<u>(9,623)</u>
Total comprehensive expense for the period attributable to:				
– Owners of the Company	(19,496)	(3,130)	(27,967)	(7,758)
– Non-controlling interests	(2,685)	146	(3,195)	(12)
	<u>(22,181)</u>	<u>(2,984)</u>	<u>(31,162)</u>	<u>(7,770)</u>
LOSS PER SHARE				
Basic and diluted (<i>HK cents</i>)	<u>(21.51)</u>	<u>(0.48)</u>	<u>(18.61)</u>	<u>(1.03)</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

		At 30 June 2022 \$'000 (Unaudited)	At 31 December 2021 \$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Plant and equipment	<i>10</i>	817	810
Right-of-use assets	<i>11</i>	177	382
Investment properties		16,559	16,869
Intangible asset		758	758
Interests in associates		30,426	30,137
Equity Instruments at fair value through other comprehensive income	<i>12</i>	7,261	7,261
Deposits paid		107,407	108,996
		163,405	165,213
Current assets			
Inventories		2,258	2,716
Trade and other receivables	<i>13</i>	62,678	39,141
Loan and interest receivables	<i>14</i>	1,625	1,935
Loan to associates		–	3,826
Financial assets at fair value through profit or loss		2,815	8,780
Restricted bank balance		680	705
Bank balances and cash		1,594	2,850
		71,650	59,953
Assets classified as held for sale		–	13,547
		71,650	73,500

		At 30 June 2022 <i>\$'000</i> (Unaudited)	At 31 December 2021 <i>\$'000</i> (Audited)
Current liabilities			
Trade and other payables	<i>15</i>	55,181	42,201
Contract liabilities		2,360	2,504
Amount due to non-controlling interests		3,645	3,645
Borrowings	<i>16</i>	39,640	41,040
Margin loan payables		3,814	6,090
Lease liabilities	<i>11</i>	201	506
Financial guarantee contract		11,576	12,102
Income tax payable		49	55
		<u>116,466</u>	<u>108,143</u>
Net current liabilities		<u>44,816</u>	<u>34,643</u>
Total assets less current liabilities		<u>118,589</u>	<u>130,570</u>
Non-current liabilities			
Deferred tax liabilities		<u>1,329</u>	<u>1,390</u>
		<u>1,329</u>	<u>1,390</u>
Net assets		<u>117,260</u>	<u>129,180</u>
Capital and reserves			
Share capital	<i>17</i>	1,300	1,060
Reserves		<u>79,697</u>	<u>87,214</u>
Equity attributable to owners of the Company		80,997	88,274
Non-controlling interests		<u>36,263</u>	<u>40,906</u>
Total equity		<u>117,260</u>	<u>129,180</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Investment revaluation reserve	Share option reserve	Translation reserve	Special reserve	Other reserve	Accumulated losses	Subtotal		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2021	9,325	6,909	650,298	(31,152)	1,800	(3,865)	6,026	(1,766)	(499,000)	138,575	36,560	175,135
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(9,583)	(9,583)	(40)	(9,623)
Other comprehensive income/ (expense) for the period:												
Exchange difference arising on translating foreign operations	-	-	-	-	-	1,825	-	-	-	1,825	28	1,853
Other comprehensive (expense)/ income for the period	-	-	-	-	-	1,825	-	-	-	1,825	28	1,853
Total comprehensive (expense)/ income for the period	-	-	-	-	-	1,825	-	-	(9,583)	(7,758)	(12)	(7,770)
At 30 June 2021	9,325	6,909	650,298	(31,152)	1,800	(2,040)	6,026	(1,766)	(508,583)	130,817	36,548	167,365
At 1 January 2022	1,060	-	650,298	(31,964)	1,800	(1,602)	6,026	(6,321)	(531,023)	88,274	40,906	129,180
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(24,198)	(24,198)	(588)	(24,756)
Other comprehensive income/ (expense) for the period:												
Exchange difference arising on translating foreign operations	-	-	-	-	-	(3,769)	-	-	-	(3,769)	(2,637)	(6,406)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	(3,769)	-	-	-	(3,769)	(2,637)	(6,406)
Rights issue	240	3,607	-	-	-	-	-	-	-	3,847	-	3,847
Transaction costs attribute to rights issue	-	-	-	-	-	-	-	-	(787)	(787)	-	(787)
Disposal of a subsidiary	-	-	-	-	-	(1,740)	-	5,823	13,547	17,630	(1,448)	16,182
Total comprehensive (expense)/ income for the period	240	3,607	-	-	-	(1,740)	-	5,823	(12,760)	20,690	(1,448)	19,242
At 30 June 2022	1,300	3,607	650,298	(31,964)	1,800	(7,111)	6,026	(498)	(542,461)	80,997	36,263	117,260

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Hong Kong dollars)

	For the six months	
	ended 30 June	
	2022	2021
	\$'000	\$'000
Net cash used in operating activities	719	4,153
Net cash from/(used in) investing activities	(1,887)	(1,048)
Net cash (used in)/from financing activities	<u>(116)</u>	<u>(1,850)</u>
Net (decrease)/increase in cash and cash equivalents	(1,284)	1,255
Cash and cash equivalents at the beginning of period	2,850	2,951
Effect of foreign exchange rates changes, net	<u>28</u>	<u>72</u>
Cash and cash equivalents at the end of period, represented by bank balances and cash	<u><u>1,594</u></u>	<u><u>4,278</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operations

China Eco-Farming Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 November 2000.

The shares of the Company were listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 5 February 2002.

During the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The addresses of the registered office is Clarendon House, 2 Church street, Hamilton HM11, Bermuda, and the principal place of business of the Company is 20/F, Wanchai Central Building, 89 Lockhart Road, Wanchai, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

During the six months ended 30 June 2022, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of one-stop value chain services, property investment, trading of consumables and agricultural products, trading of grocery food products, provision of money lending services and provision of financial services.

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

The unaudited condensed consolidated financial statements are prepared in HK\$ which is the same as the functional currency of the Company.

2. Principal accounting policies and basis of preparation

The unaudited condensed financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 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 the accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed financial results have been prepared on the historical cost basis except for the investment properties, certain financial instruments and available-for-sale investments that are measured at fair values.

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the six months ended 30 June 2022 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2021 except for the following amendments and interpretation (“New HKFRSs”) issued by HKICPA which are or shall be in effect.

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

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

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

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

The adoption of the above New HKFRSs in the current period has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated financial statements.

The Group has not applied any New HKFRSs that have been issued but are not yet effective for the current accounting period.

3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the three months and six months ended 30 June 2022 is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue:				
One-stop value chain services	283	1,507	1,527	2,648
Trading of grocery food products	617	5,650	3,669	7,781
Trading of consumables and agricultural products	4,569	12,424	9,044	17,780
Provision of money lending services (<i>note (i)</i>)	46	48	93	120
Provision of financial services	—	—	—	—
	5,515	19,629	14,333	28,329
Other revenue (<i>note (ii)</i>)	256	744	603	991
	5,771	20,373	14,936	29,320

Notes:

(i) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$93,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$95,000), charged to Mr. Au Yeung Po Leung (“Mr. Au Yeung”), a former executive director of the Company who resigned on 30 September 2017 for aggregate loan amount of HK\$2,400,000 extended in December 2020. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares.

(ii) *Other revenue*

	For the three months ended 30 June		For the six months ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Interest income (<i>note (iii)</i>)	–	724	18	937
Sundry income	256	20	585	54
	<u>256</u>	<u>744</u>	<u>603</u>	<u>991</u>

(iii) *Interest income*

Included in interest income are approximately HK\$18,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$176,000) for the loan amount of approximately HK\$2,842,000 granted to Zhonghe Huaxia (Beijing) Investment Consulting Co. Ltd. (“Beijing HX”) on 31 August 2016. The loan was interest-bearing with interest rate of 12% per annum, unsecured and repayable by 31 May 2017. Beijing HX is treated as associate in the consolidated financial statements of the Company.

4. **Segment information**

The Group’s operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions
2. Property investment – generated rental income from operating leases of Group's investment properties
3. Trading of consumables and agricultural products – trading of consumables and agricultural products
4. Trading of grocery food products – trading of grocery food products
5. Provision of money lending services – provision of money lending services
6. Provision of financial services – provision of financial and investment advisory and corporate finance services

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Unaudited six months ended 30 June 2022						Total HK\$'000
	One-stop value chain services HK\$'000	Property investment HK\$'000	Trading of consumables and agricultural products HK\$'000	Trading of grocery food products HK\$'000	Provision of money lending services HK\$'000	Provision of financial services HK\$'000	
REVENUE							
External sales	<u>1,527</u>	<u>-</u>	<u>9,044</u>	<u>3,669</u>	<u>93</u>	<u>-</u>	<u>14,333</u>
Segment profit (loss)	47	-	(1,632)	325	93	-	(1,167)
Unallocated corporate other revenue							603
Unallocated corporate expenses							(12,210)
Loss from changes in fair value of financial assets at fair value through profit or loss							(2,479)
Share of results of associates							290
Finance costs							(4,246)
Loss on disposal of a subsidiary							<u>(5,547)</u>
Loss before taxation							<u>(24,756)</u>

	One-stop value chain services <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Trading of consumables and agricultural products <i>HK\$'000</i>	Trading of grocery food products <i>HK\$'000</i>	Provision of money lending services <i>HK\$'000</i>	Provision of financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE							
External sales	<u>2,648</u>	<u>-</u>	<u>17,780</u>	<u>7,781</u>	<u>120</u>	<u>-</u>	<u>28,329</u>
Segment profit (loss)	82	(1,783)	(3,051)	170	(489)	(1,308)	(6,379)
Unallocated corporate other revenue							2,056
Unallocated corporate expenses							(7,284)
Gain from changes in fair value of financial assets at fair value through profit or loss							4,215
Share of results of associates							837
Finance costs							<u>(3,068)</u>
Loss before taxation							<u>(9,623)</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration expenses, directors' emoluments, other gain or loss, decrease in fair value of financial assets at FVTPL, share of result of associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

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

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

Revenue from external customers	For the three months end 30 June		For the six months end 30 June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong	<u>5,186</u>	18,122	<u>12,713</u>	25,681
The PRC	-	-	-	-
Australia	<u>283</u>	<u>1,507</u>	<u>1,527</u>	<u>2,648</u>
	<u>5,469</u>	<u>19,629</u>	<u>14,240</u>	<u>28,329</u>

5. Finance costs

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on borrowings (<i>Note (i)</i>)	1,938	725	2,673	1,465
Reimbursement of finance costs borne by lenders	411	419	822	834
Interest on margin loan payable	152	142	299	292
Interest on balancing payment for the acquisition of further interest in subsidiaries	215	215	427	427
Interest on lease liabilities	11	28	35	50
	<u>2,727</u>	<u>1,529</u>	<u>4,246</u>	<u>3,068</u>

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$14,000 for the six months ended 30 June 2022, payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$400,000 granted in September 2021. The loan was interest-bearing with interest rate of 10% per annum and fully repaid by 4 May 2022.

6. Taxation

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax	–	–	–	–
Deferred tax	–	–	–	–
Income tax credit recognised in profit or loss	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018. No EIT is provided for the three months and six months ended 30 June 2022 and 2021 as the Group did not derive any assessable profit subject to EIT.

The Taiwan Profit-Seeking Enterprise Income Tax is calculated at 17% of the estimated assessable profits for both years. No Profit-Seeking Enterprise Income Tax is provided for the three months and six months ended 30 June 2022 and 2021 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

7. Loss for the period

	For the three months		For the six months	
	ended 30 June		ended 30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:				
Directors' and chief executive's emoluments	986	735	1,874	1,515
Other staff costs (excluding directors' and chief executive's emoluments)	1,027	3,184	3,399	7,763
Retirement benefits scheme contributions (excluding directors and chief executive)	75	186	169	308
	2,088	4,105	5,442	9,586
Auditors' remuneration	205	189	394	378
Cost of inventories recognised as an expense	5,482	16,294	15,500	23,755
Depreciation for plant and equipment	48	218	166	436
Depreciation of right-of-use assets	115	157	252	276

8. Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2022 (2021: nil).

9. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company during both the three months and six months ended 30 June 2022 and 2021 is based on the following data.

	For the three months ended 30 June		For the six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	<u>(15,969)</u>	<u>(4,462)</u>	<u>(24,198)</u>	<u>(9,583)</u>
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>130,001,731</u>	<u>932,552,430</u>	<u>130,001,731</u>	<u>932,552,430</u>

Diluted loss per share is the same as basic loss per share for the three months and six months ended 30 June 2022. The computation of diluted loss per share does not assume the exercise of share options to subscribe for additional shares (see note 18) since the exercise of share options would result in an anti-dilutive effect on the basic loss per share for the three months and six months ended 30 June 2022.

Diluted loss per share is the same as basic loss per share for the three months and six months ended 30 June 2021. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of share options to subscribe for additional shares as at 30 June 2021 since the conversion of outstanding convertible bonds and exercise of share options would result in an anti-dilutive effect on the basic loss per share for the three months and six months ended 30 June 2021.

10. Plant and equipment

During the six months ended 30 June 2022, the Group acquired items of plant and equipment of approximately HK\$173,000 (six months ended 30 June 2021: approximately HK\$37,000).

11. Right-of-use assets/lease liabilities

(i) Right-of-use assets

	Lease properties HK\$'000
As at 1 January 2022	
Carrying amount	<u>382</u>
As at 30 June 2022	
Carrying amount	<u>177</u>
For the period ended 30 June 2022	
Depreciation charge	252
For the period ended 30 June 2021	
Depreciation charge	<u>276</u>
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	<u>252</u>

(ii) Lease liabilities

	At 30 June 2022 HK\$'000
Lease liabilities payable:	
Within one year	201
Within a period of more than one year but not more than two years	–
Within a period of more than two years but not more than five years	<u>–</u>
	201
<i>Less:</i> Amount due for settlement with 12 months shown under current liabilities	<u>201</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>–</u>

12. Equity instruments at fair value through other comprehensive income

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Unlisted investments:		
Equity securities (<i>Note a</i>)	<u>7,261</u>	<u>7,261</u>

Notes:

- (a) The unlisted equity investments of approximately HK\$7,261,000 as at 30 June 2022 (31 December 2021: HK\$7,261,000) represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

13. Trade and other receivables

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables (<i>Note (a)</i>)	37,861	24,539
<i>Less:</i> Allowance for credit losses	<u>—</u>	<u>(1,474)</u>
	<u>37,861</u>	<u>23,065</u>
Prepayment to suppliers	<u>488</u>	<u>1,676</u>
Deposit	2,557	1,680
Other receivables	<u>21,772</u>	<u>21,545</u>
	24,329	23,225
<i>Less:</i> Allowance for credit losses	<u>—</u>	<u>(8,825)</u>
	<u>24,329</u>	<u>14,400</u>
	<u>62,678</u>	<u>39,141</u>

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

- (a) The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days (31 December 2021: 0 days to 90 days). The ageing analysis of trade receivables presented based on the invoice dates, which approximates the respective revenues recognition dates, at the end of the Reporting Period, which is as follows:

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	2,484	3,847
31 to 90 days	1,550	15,429
Over 90 days	12,393	3,789
	<u>16,427</u>	<u>23,065</u>

14. Loan and interest receivables

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Fixed-rate loan and interest receivables		
– Secured	7,937	7,278
– Unsecured	1,141	1,377
	<u>9,078</u>	<u>8,655</u>
<i>Less:</i> Allowance for credit losses	<u>(7,453)</u>	<u>(6,720)</u>
	<u>1,625</u>	<u>1,935</u>
Analysed as		
Current asset (within one year)	<u>1,625</u>	<u>1,935</u>

Notes:

As at 30 June 2022, included in the Group's loan and interest receivables balance are debtors with aggregate carrying amount of approximately HK\$9,078,000 (31 December 2021: HK\$6,163,000) which has been past due 90 days or more as at the reporting date. Among those past due more than 90 days, the Directors consider the credit risks of approximately HK\$7,453,000 (31 December 2021: HK\$6,720,000) have increased significantly and are considered as credit impaired. The Directors are in the view that there have been no significant increase in credit risk nor default of the remaining HK\$1,625,000 (31 December 2021: HK\$1,935,000) based on the repayment history and creditworthiness of that debtor.

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Fixed-rate loan receivables		
Within 1 year	<u><u>1,625</u></u>	<u><u>1,935</u></u>

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

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Effective interest rate:		
Fixed-rate loan and interest receivables	<u><u>8% – 36%</u></u>	<u><u>8% – 36%</u></u>

15. Trade and other payables

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	9,494	14,985
Other payables	<u>57,401</u>	<u>27,216</u>
	<u>66,895</u>	<u>42,201</u>

The following is an aged analysis of trade payables presented based on the invoice date at the end of the Reporting Period.

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
0 to 30 days	7,800	3,541
31 to 90 days	1,694	5,252
Over 90 days	<u>–</u>	<u>6,192</u>
	<u>9,494</u>	<u>14,985</u>

The average credit period on purchases of goods is 21 days (31 December 2021: 21 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

16. Borrowings

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Other borrowings, unsecured (<i>Note a</i>)	30,640	25,140
Other borrowing, secured (<i>Note b</i>)	<u>9,000</u>	<u>15,900</u>
Total borrowings	<u><u>39,640</u></u>	<u><u>41,040</u></u>

Notes:

- (a) The unsecured other borrowing was obtained from Lender A. According to the loan agreement, the Group has to reimburse Lender A for its costs of financing, which includes the interest rate of 8% per annum borne by Lender A. Those reimbursements have been recognised as financial costs of the Group for the year ended 30 June 2022.

The unsecured other borrowing was obtained from Gold Wide, an associate of the Group. According to the loan agreement, the Group has to reimburse Gold Wide for its costs of financing, which includes the interest rate of 8% per annum borne by Gold Wide. Those reimbursements have been recognised as financial costs of the Group for the year ended 30 June 2022. Pursuant to the deed of settlement dated 31 December 2021, the Group and Gold Wide canvassed amongst themselves that, instead of the Group repaying this borrowing to Gold Wide, the Group shall repay to Entity A. Any sums paid and/or to be paid by the Group to Gold Wide pursuant to this borrowing shall be paid and discharged in accordance therewith.

The unsecured other borrowings were obtained from a financial institution in Hong Kong. The unsecured other borrowing has been fully repaid on 31 December 2020.

On 25 January 2019, other payable of HK\$21,500,000 was novated to a financial institution and reclassified to borrowings. The amount is unsecured, carries interest at 15% per annum and repayable in 10 installments from 28 March 2019 to 28 December 2019.

The unsecured other borrowing was obtained from Mr. So David Tat Man, executive director of the Company. The unsecured other borrowing has been fully repaid on 24 January 2020.

- (b) The secured other borrowing is obtained from a financial institution in Hong Kong and is secured by an investment property of the Group located in Hong Kong with fair value of approximately HK\$9,730,000.

17. Share capital

	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised ordinary shares:			
At 1 January 2021, 31 December 2021 and 30 June 2022	<u>0.01</u>	<u>18,260,869,570</u>	<u>182,609</u>
Issued and fully paid ordinary shares:			
At 31 December 2021 and 1 January 2022	0.01	932,552,430	9,325
Placing of new shares	0.01	127,000,000	1,270
Share consolidation	N/A	(953,597,187)	–
Capital reduction	N/A	–	(9,535)
At 31 December 2021	<u>0.01</u>	<u>105,955,243</u>	<u>1,060</u>
Rights issue	0.01	24,046,488	240
At 30 June 2022	<u>0.01</u>	<u>130,001,731</u>	<u>1,300</u>
Authorised convertible preference shares:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>0.1</u>	<u>173,913,043</u>	<u>17,391</u>
Issued and fully paid convertible preference shares:			
At 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>0.1</u>	<u>–</u>	<u>–</u>

Notes:

- (a) All new shares rank pari passu with other shares in issue in all respects.

18. Share options

The Company has a share option scheme, which was adopted on 6 May 2011, for eligible employees, the directors of the Company and other selected participants for their contribution to the Group which was for a period of 10 years lapsed on 5 May 2021. During the Reporting Period, no share options was granted under the Share Option Scheme.

19. Capital commitments

	At 30 June 2022 <i>HK\$'000</i> (Unaudited)	At 31 December 2021 <i>HK\$'000</i> (Audited)
Contracted for but not provided in the consolidated financial statements:		
Unpaid registered capital for subsidiaries	36,868	36,868
Capital expenditure in respect of acquisition of further equity interests in a subsidiary	<u>9,246</u>	<u>10,760</u>
	<u>46,114</u>	<u>47,628</u>

20. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each Reporting Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial assets	Fair value as at 30 June 2021	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs
Listed equity securities at FVTPL	HK\$2,815,000 (31 December 2021: HK\$8,780,000)	Level 1	Quoted closing prices in an active market	N/A
Unlisted equity investments at FVTOCI (<i>Note</i>)	HK\$7,261,000 (31 December 2021: HK\$7,261,000)	Level 3	Market approach	– Price-to-book value multiple – Discount of lack of marketability

Note: There were no transfers between levels of fair value hierarchy in the current Reporting Period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

21. Related party transactions

- (a) The Group entered into the following significant transactions with related parties during the six months ended 30 June 2022 and 2021:

Name of company	Nature of transaction	For the six months ended 30 June	
		2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Beijing HX (<i>Note a</i>)	Loan interest income received	(176)	(176)
Chan Kee Holdings Limited ("Chan Kee") (<i>Note b</i>)	Purchases of grocery food product	544	1,035
	Income received	–	(25)
	Consultancy fee paid	<u>–</u>	<u>120</u>

Note a: Beijing HX was an associate of the Group.

Note b: On 4 February 2016, Maxford Wealth Limited ("Maxford Wealth"), a wholly-owned subsidiary of the Company, formed an entity named Right Ocean Asia Limited ("Right Ocean") with an independent third party Ms. Yoo (the spouse of Mr. Chan) and which Mr. Chan is the substantial shareholder of Chan Kee. Pursuant to the agreement entered into by Right Ocean and Chan Kee, Ms. Yoo and Mr. Chan shall procure Chan Kee to enter into the trademark licence agreement and the sole distributorship agreement with Right Ocean, for the sole and exclusive sale and distribution of the grocery food products and right to use the trademark granted by Chan Kee at nil consideration within the Hong Kong, Macau and Taiwan for the period from 4 February 2016 to 31 December 2018.

On 25 March 2019, the trademark licence agreement and the sole distributorship agreement have been renewed for a period of 3 years.

Upon the formation of Right Ocean, the equity of Right Ocean is held as to 51% by Maxford Wealth and 49% by Ms. Yoo. Therefore Right Ocean became a non-wholly owned subsidiary of the Company.

During the year ended 31 December 2016, a shareholder loan agreement was entered into between Maxford Wealth and Right Ocean, pursuant to which Maxford Wealth has agreed to lend a loan of HK\$11,000,000 to Right Ocean, with a fixed interest rate of 5% per annum and repayable on demand.

Another loan agreement was entered into between Right Ocean and Chan Kee, pursuant to which Right Ocean has agreed to lend a loan of HK\$6,000,000 to Chan Kee, with Ms. Yoo and Mr. Chan as guarantors, a fixed interest rate of 7% per annum, repayable within 36 months after the date of drawdown for business operation.

Details are set out in the announcement of the Company dated 4 February 2016 and 25 March 2019.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during six months ended 30 June 2022 and 2021 was as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,874	1,845
Post-employment benefits	33	36
	<u>1,907</u>	<u>1,881</u>

The remuneration of directors of the Company and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

22. Comparative figures

Cost of good sold from trading of consumables and agricultural products were previously included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income. To conform to current years' presentation, the above amount for the period ended 30 June 2021 have been included in cost of sales in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the six months ended 30 June 2022 (the “Reporting Period”), the Group has been 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.

One-stop Value Chain Services

During the Reporting Period, this business segment reported a revenue of approximately HK\$1,527,000 (six months ended 30 June 2021: HK\$2,648,000) representing a decrease of approximately 42% as compared with the last corresponding period.

In order to improve the performance of this business, during the financial year 2021, the team of this business segment puts a lot of effort and resources to find new customers. However, due to the outbreak of COVID-19 pandemic, many companies have cut their budget on information technology (IT) related services.

Facing this predicament, the team started to search for new business opportunities. They seize the opportunity and diversify the One-Stop Value Chain Services Business into the gaming industry to sell gaming related products during the second half year of 2021. However, the outcome so far is not satisfactory.

Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$Nil (six months ended 30 June 2021: HK\$Nil). The Group held properties in the People’s Republic of China (the “PRC”) and Hong Kong for investment purpose amounted to approximately HK\$16,559,000 (31 December 2021: HK\$16,869,000).

Trading of consumables and agricultural products

During the Reporting Period, the trading of consumables and agricultural products segment generated revenue of approximately HK\$9,044,000 (six months ended 30 June 2021: HK\$17,780,000), representing a decrease of approximately 49% as compared with last companding period.

This business segment is mainly composed of re-usable bags trading business, bulk commodities trading in resin plastics (ABS) and polyethylene (PE) and recycle of used plastic products. This segment was hit hard due to the low level on economic activities especially the re-usable bags trading business. Revenue from the recycle of used plastic products has also dropped. Due to relatively high factory overhead for the recycling, this part of the business is yet to provide a positive margin.

Trading of Grocery Food Products

During the Reporting Period, the segment reported a revenue of approximately HK\$3,669,000 (six months ended 30 June 2021: HK\$7,781,000), representing a decrease of approximately 53% as compared with the last corresponding period.

In the trading of grocery food products segment, the Group was 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 trademark licence agreement and the sole distributorship agreement for ramen and udon have expired in February 2022 and the parties are discussing the future direction of this cooperation.

The Group has been devoting more resources to improve the performance of this segment, and it is from time to time looking for suitable opportunities to expand the variety of products and client base in this industry. The lockdown measures caused by the outbreak of COVID-19 pandemic makes frozen foods became popular. Therefore, the Directors decided to grip this chance to expand the product mix in this segment and entered into the frozen food industry. Starting from the second half year of 2020, after careful analysis on current market situation and environment, the Group introduced new products including imported frozen seafood. The Group obtained authorised distributor certificates for distribution of frozen seafood such as king crab, shrimp, lobster, fish, crab, and surimi stick. The frozen seafood products are from the production bases of all around the world including but not limited to Thailand, Vietnam and Norway. Also, the Group has sourced more dairy products such as bread and pastry so as to diversify its grocery food portfolio. To further enhance the business, apart from sale of grocery food products in supermarkets, the Group has made more use of online platform and social media. In the second half year of 2020, the Group started online sales through social media and launched its online sales platform on HKTVmall operated by the Hong Kong Television Network Limited (stock code: 1137) to promote the products and directly reach out more potential customers. It helps the Group to further diversify the customers base and save the intermediate sales cost. However, maybe due to relaxation of social distancing measures, turnover in the second quarter was obviously dropped.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$93,000 (six months ended 30 June 2021: HK\$120,000), representing a decrease of approximately 23% as compared with the last corresponding period. The Group has put its effort in maintaining, developing and expanding its money lending business. The Group's money lending business is operating by its wholly-owned subsidiary, China AF Finance Limited ("China AF Finance").

The total outstanding principal amount of loan receivables as at 30 June 2022 was HK\$8.38 million bearing interest at the rate ranging from 8% to 36%, maturing from one month to one year, with unlisted shares as collaterals.

There are only 3 borrowers. The outstanding principal amount of the largest borrower is HK\$5.02 million which account for approximately 55% of the total loan receivables. All the loans have expired and China AF Finance has instituted legal actions against two borrowers to recover the outstandings.

Provision of financial services

During the period ended 30 June 2022, the Group has a licensed subsidiary, China AF Asset Management Limited, a company holding Type 4 (advising on securities) and Type 9 (asset management) licences under Securities and Futures Commission (the "SFC"). This segment also provides financial consultancy services. This segment reported a revenue for the period ended 30 June of 2022 of HK\$Nil (six months ended 30 June of 2021: HK\$Nil). This segment also had a corporate finance division operating under the name of China AF Corporate Finance Limited which ceased to operate and has made an application to SFC to revoke its licence in September 2019. The license was revoked in May 2020.

Due to unfavorable market conditions, no income was generated from consultancy services. The license of China AF Asset Management Limited was suspended due to insufficient responsible officer.

Securities investments

The Group had equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss in aggregate of approximately HK\$10,076,000 as at 30 June 2022, representing approximately 4.29% of the Company's total assets (31 December 2021: approximately HK\$16,041,000, representing approximately 6.72% of the Company's total assets).

The Company's investment strategy is to invest in securities that have growth potential, with the aims to capture capital appreciation and diversify the Company's investment portfolio (as detailed below) in order to reduce concentration of investment risks in one industry and maximise value for the Shareholders. The composition of the investment portfolio may change from time to time during the coming year. In order to mitigate the possible financial risks related to the equities, the investment portfolio will be monitored regularly and appropriate actions would be taken whenever necessary in a prudent manner in response to changes in market situation.

Below is additional information in relation to the significant investments with market value exceeding HK\$10,000,000 as at 30 June 2022 and 31 December 2021:

For the six months ended 30 June 2022 and year ended 31 December 2021

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 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
	<i>Approximately HK\$'000</i>				<i>Approximately</i>		<i>Approximately HK\$'000</i>		<i>Approximately</i>		<i>Approximately HK\$'000</i>		<i>Approximately HK\$'000</i>	
Financial assets at fair value through profit or loss														
Others (Note 1)	5,766	5,761	N/A	N/A	N/A	N/A	2,815	8,780	1.2%	3.68%	2,479	3,019	-	-
	5,766	5,761					2,815	8,780	1.2%	3.68%	2,479	3,019	-	-
Equity instruments at fair value through other comprehensive income														
Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) (Note 2)	7,871	7,871	11,250,000	11,250,000	4.99%	4.99%	7,261	7,261	3.09%	3.04%	-	(610)	-	-
	7,871	7,871					7,261	7,261	3.09%	3.04%	-	(610)	-	-
Total	13,637	13,632					10,076	16,041	4.39%	6.72%	2,479	2,409	-	-

Notes:

1. These are all listed companies on the Stock Exchange for the year ended 30 June 2022, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of loan financing services, the provision of auction of alcoholic beverages business, provision of QR codes on product packaging and solutions and online advertising display services, the manufacture and sale of packaging products, investments and trading in securities, money lending, properties investments, securities trading, trading business and dealing in, advising on securities and asset management, futures and options broking, EPC and consultancy operations, financing and solar power generation, provision of secured financing services and microfinance services, shipping and logistics, design manufacture, supply and installation of passenger vehicle leather upholstery, supply and installation of vehicle electronic accessories, sale of refined oil and natural gas by operating refuelling stations and storage facilities, and the provision of transportation of petroleum and natural gas services.
2. Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司), a company listed on Shanghai Equity Exchange in the PRC until 28 February 2018, which is principally engaged in development of tourism resources business. For details, please refer to the announcements of the Company dated 19 July 2016 and 31 August 2016.

* *For identification purposes only*

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$14,333,000 (six months ended 30 June 2021: HK\$28,329,000), representing a decrease of approximately 49% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$15,500,000 (six months ended 30 June 2021: HK\$28,427,000), representing a decrease of approximately 45% as compared with the last corresponding period. This decrease of cost was mainly due to decrease in turnover in the recycle of used plastic products.

Administrative expenses for the Reporting Period amounted to approximately HK\$12,039,000 (six months ended 30 June 2021: HK\$11,998,000), representing an increase of approximately 0.3% as compared with the last corresponding period. This increase was mainly due to increase in professional fees for the Rights Issue; and additional expenses incurred to review existing operations and look for new business opportunities.

Finance costs for the Reporting Period was approximately HK\$4,246,000 (six months ended 30 June 2021: HK\$3,068,000), representing an increase of approximately 38% as compared with the last corresponding period. The increase was mainly due to the increase of reimbursement of finance costs borne by lenders and interest on balancing payment for the acquisition of further interest in subsidiaries.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$24,756,000 (six months ended 30 June 2021: HK\$9,583,000). The basic loss per share of the Company for the six months ended 30 June 2022 is 18.61 HK cents (six months ended 30 June 2021: 1.03 HK cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 June 2022, the bank balances and cash of the Group was approximately HK\$1,594,000 (31 December 2021: approximately HK\$2,850,000).

At 30 June 2022, the net assets of the Group was approximately HK\$117,260,000 (31 December 2021: HK\$129,180,000) and the net current liabilities was approximately HK\$44,816,000 (31 December 2021: the net current liabilities approximately HK\$34,643,000).

Gearing Ratio

At 30 June 2022, the total liabilities of the Group amounted to approximately HK\$117,795,000 (31 December 2021: HK\$109,533,000), which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loan payables, lease liabilities, financial guarantee contract, amount due to non-controlling interests, income tax payables and deferred tax liabilities. The liabilities are denominated in Hong Kong Dollars, Renminbi, United State Dollars and New Taiwan Dollars.

At 30 June 2022, the Group had total assets of approximately HK\$235,055,000 (31 December 2021: HK\$238,713,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, increased to 0.51 as at 30 June 2022 (31 December 2021: 0.46).

Segmental Information

An analysis of the Group's performance for the Reporting Period by business segment is set out in note 4 to this announcement.

Capital Structure

As at 30 June 2022, the Company's issued ordinary share capital was HK\$1,300,017.31 divided into 130,001,731 shares of HK\$0.01 each ("Shares") (31 December 2021: HK\$1,059,552.43 divided into 105,955,243 shares).

Fund Raising Activities

The Group proposed to raise fund by way of rights issue on 3 March 2022 and has placed new shares during the financial year ended 31 December 2021.

Rights Issue

On 3 March 2022, the Group proposed to raise up to approximately HK\$8.48 million before expenses, by way of rights issue by issuing up to 52,977,621 rights shares at the subscription price of HK\$0.16 per rights share on the basis of one rights share for every two existing shares on the record date. The detail of the rights issue was disclosed in the prospectus of the Company dated 25 April 2022.

On 11 May 2022, being the Latest Time for Acceptance, a total of 1 valid acceptance of provisional allotments under the PAL had been received for a total of 920,688 Rights Shares, As the Rights Shares were under-subscribed, the valid excess application has been accepted and a total of 625,800 Excess Rights Shares will be allotted and issued to the relevant applicant in full. As a result of the under-subscription of the Rights Issue and in accordance with the terms of the Underwriting Agreement, the Underwriter, on a best effort basis, has underwritten 22,500,000 Rights Shares.

After the underwriting and the Subscribers' subscription procured by the Underwriter, the Rights Issue was finally under-subscribed by 28,931,133 Rights Shares, representing approximately 54.61% of the total number of 52,977,621 Rights Shares available for subscription under the Rights Issue. Therefore, the size of the Rights Issue was reduced to 24,046,488 Rights Shares.

For detail result of the Rights Issue, please refer to the announcement of the Company dated 18 May 2022.

As the size of the Rights Issue was reduced, the gross proceeds from the Rights Issue are approximately HK\$3.85 million and the net proceeds from the Rights Issue, after deducting the underwriting commission, professional fees and all other relevant expenses, are estimated to be approximately HK\$3.06 million. The Company intends to apply the net proceeds as to approximately (i) HK\$0.8 million for payment of outstanding interest expenses; (ii) HK\$0.8 million for payment of outstanding liabilities; and (iii) HK\$1.46 million for the general working capital of the Group. The Company has applied the net proceeds of the Rights Issue in accordance with the intended use in full as at 30 June 2022.

Placing of new shares

On 2 September 2021, the Company entered into the placing agreement with a placing agent. It is proposed that the placing agent would propose to offer for subscription of 186,500,000 placing shares at the placing price of HK\$0.034 per placing share. A total of 127,000,000 Placing Shares have been successfully placed and the net proceeds raised after deducting the placing commission and other relevant expenses were approximately HK\$4.1 million. Further details of the placing are set out in the announcements of the Company dated 2 September 2021 and 28 September 2021.

The net proceeds from placing were used as follows:

Period under review	Purpose of usage	Total planned amount to be used <i>HK\$ million</i>	Aggregate amount used up to and including 31 December 2021 <i>HK\$ million</i>	Remaining balance of placing proceeds as the last date of the period under review <i>HK\$ million</i>
Since completion of placing on 28 September 2021 up to and including 31 December 2021	Settlement of outstanding liabilities	2.0	2.0	0.0
	General working capital	2.1	2.1	0.0

Significant Investments, Acquisitions and Disposal

Acquisition of interest in certain properties in Shenzhen, the PRC by additional acquisition of further equity interests a subsidiary

On 17 July 2017, Yardley Wealth Management Limited (“YWML”) and Skyline Top Limited (“STL”), a wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) pursuant to which the YWML has agreed to sell and the STL has agreed to purchase the sale shares (the “Sale Shares”), representing 50% of the issued share capital of Delightful Hope Limited (the “Target Company”) for cash consideration of HK\$55,000,000. The Target Company is a non-wholly owned subsidiary of the Company and is owned as to 50% by each of YWML and STL. Following completion, the Target Company will be wholly owned by the STL and will become an indirect wholly-owned subsidiary of the Company.

The principal assets of the Target Company consist of properties comprise 8 commercial units of a total gross floor area of approximately 1,690 sq.m. in Shenzhen City, Guangdong Province, the PRC, and a residential house in Shenzhen City, Guangdong Province, the PRC of a total gross floor area of approximately 315.23 sq.m. According to the audited consolidated account of the Target Company, the book value of the properties was approximately HK\$110,236,000 as at 31 December 2016.

The consideration payable by the STL to the YWML for the Sale Shares is HK\$55,000,000 and shall be satisfied by the STL’s payment in cash to the YWML or its nominee in the following manner: (a) as to the part payment in the sum of HK\$20,000,000, within 14 days after the date of the Agreement; (b) as to the balance of HK\$35,000,000, upon completion.

On 31 July 2017, a supplemental agreement was entered into between the parties that the part payment in the sum of HK\$20,000,000 shall be paid on or before 28 August 2017 or such later date as the parties may agree in writing. HK\$20,000,000 of the above payment has been paid.

On 17 January 2018, the parties had entered into a second supplemental agreement whereas the timing of payment of the balance of HK\$35,000,000 was extended from 17 January 2018 to 17 January 2019. On 19 March 2019, the parties had entered into a third supplemental agreement whereas the Long Stop Date has been extended from 17 January 2019 to 31 March 2020 and further extended to 30 September 2020 by a fourth supplemental agreement entered into on 31 March 2020, and payment of the remaining balance shall be paid by one or several instalments on or before the Date of Completion. As at 30 June 2022, the amount of HK\$9,246,284 remained outstanding.

Disposal of subsidiaries

On 30 December 2021, Skyline Top Limited (“Skyline”) as vendor, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser, pursuant to which Skyline has conditionally agreed to sell to the Purchaser, and the Purchaser has conditionally agreed to purchase from Skyline, the Sale Shares, representing the entire issued share capital of the Konson Global Investments Limited, a company wholly-owned by Skyline, at the Consideration of HK\$8,000,000. The disposal was completed on 22 April 2022.

Please refer to the announcements of the Company dated 30 December 2021, 14 February 2022 and 14 March 2022 for details.

Disposal of certain properties in Quanzhou City, Fujian Province, the PRC

On 14 February 2022, Fujian Seton Investment Co Ltd* (“Fujian Seton”), a wholly-owned subsidiary of the Company, and an Agent entered into an underwriting agreement (“Underwriting Agreement”) in relation to sales of 2 investment properties situated in Quanzhou City, Fujian Province, the PRC at a fixed price of RMB900,000 (“Underwritten Price”). The underwritten period commence from signing of the agreement and up to 13 February 2023. The Agent has to pay to Fujian Seton, the Underwritten Price in full within 30 days from signing of the Underwriting Agreement. The Underwritten Price was duly received.

On 31 December 2021, All Ready Holdings Limited (“All Ready”) as vendor, a wholly-owned subsidiary of the Company, entered into agreements with the purchaser, pursuant to which All Ready has agreed to sell to the purchaser, and the purchaser has agreed to purchase from All Ready the entire issued share capital of Ease Chance Investments Limited and Sky Success International Investment Limited, both companies were wholly-owned by All Ready, at the Consideration of HK\$1 for each company respectively. The disposals were completed on 31 December 2021.

Litigation

Shenzhen Shengshi Fuqiang Technology Company Limited (Shengshi Fuqiang), a non-wholly owned subsidiary of the Company, has received a claim for lost of assets at the sum of approximately RMB1,964,000. The Plaintiff commenced civil proceedings against Shengshi Fuqiang and filed a statement that they cannot retrieve the furniture and equipment from the premises owned by Shengshi Fuqiang and was leased to the Plaintiff, and therefore Shengshi Fuqiang should compensate for the Plaintiff's lost. Shengshi Fuqiang has made a counter-claim against the Plaintiff for outstanding rent and delay in deliver vacant possession at the sum of approximately RMB980,000. The case was first heard in Court on 26 February 2021. After second court hearing, according to the written judgement of the court, the Plaintiff will be responsible to pay to Shengshi Fuqiang an amount of RMB594,000 for claims and legal expense and Shengshi Fuqiang will be responsible to pay to the Plaintiff an amount of RMB594,000 for damages and valuation fee. The Plaintiff has made an appeal and Shengshi Fuqiang is currently seeking legal advice for the appeal.

Charges on Group's Assets

As at 30 June 2022, the listed equity investments listed in Hong Kong with the fair value of approximately HK\$1,801,000 (31 December 2021: HK\$5,922,000) have been pledged to financial institutions to secure the margin loans payables of approximately HK\$4,535,000 (31 December 2021: HK\$6,090,000).

Further, the investment property located in Hong Kong with the fair value of approximately HK\$9,730,000 (31 December 2021: HK\$9,730,000) has been pledged to a financial institution in Hong Kong to secure a term loan of HK\$9,000,000 (31 December 2021: HK\$9,000,000). The investment properties located in PRC with the fair value of approximately HK\$7,139,000 (31 December 2021: HK\$7,139,000) have been pledged to a PRC company to secure a 3-year loan of RMB13,000,000 granted to an associate of the Group.

Unlisted investment which are classified as equity instruments at fair value through other comprehensive income were pledged to a PRC company as to secure a 3-year loan of RMB4,550,000 granted to a private company.

Contingent Liabilities and Guarantee

As at 30 June 2022, 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 RMB13,000,000, bearing interest of 8% per annum for a period of three years up to 14 January 2022 (31 December 2021: RMB13,000,000). Since the term loan has not been repaid, the financial guarantee shall continue in force.

Capital Commitments

As at 30 June 2022, the Group had capital commitments amounting to approximately HK\$46,114,000 (31 December 2021: HK\$47,628,000).

Exposure to Fluctuations in Exchange Rates

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

OUTLOOK AND PROSPECTS

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

One-stop value chain services

The economy of Hong Kong has been hit hard by the COVID-19 pandemic during the start of 2020 until now. Financial performances of many companies have been affected and they have minimised their budget on IT related services.

Other than the one-stop value chain services in relation to IT, the Management has diversified into the gaming industry, so as to sustain its business during this tough atmosphere in Hong Kong. The entering into of the gaming industry was originally the temporary thought of the Company. However, the Directors noticed that this industry is indeed a profitable industry even during this difficult period. The Company will develop further in the gaming industry in the future and may devote more resources in developing gaming related products. Overall, the Directors believe that after the recovery of COVID-19 pandemic, the economy of Hong Kong is expected to turnaround, and performance of this business will be improved.

Property investment

The Group originally has few property investments in Hong Kong and the PRC. The Group is cautious of the tension between USA and China, as well as the pessimistic global atmosphere. The Group will carefully monitor its property investments portfolio.

Trading of consumables and agricultural products

At the beginning of the year, the Directors considered the Consumables Trading Business has demonstrated steady growth in the past years and is optimistic about its future contribution to the Group in terms of revenue and profit.

The experience of taking part in the bulk commodities trading business in resin plastics (ABS) and polyethylene (PE) has led the Group into the recycle business of used plastic products. Plant and equipment were leased for this development, and management is looking forward to the potential growth in this business.

The economic downturn due to COVID-19 pandemic has affected the performance of this business segment. Even though the management still strived its best to develop and maintain the recycle plastic business, decreased turnover and high factory overhead made maintaining operation of the business difficulty. On the other hand, it is believed that the sale of re-usable bags is able to pick up when economic activities return to normal level.

Trading of grocery food products

Demand for frozen or fresh fish, livestock and poultry has increased the most in 2020 and continued in 2021 no matter for non-supermarket shops or supermarkets. The Directors believed that this was due to the outbreak of COVID-19 pandemic which most people prefer to stay at home to prevent infection. Apart from udon and ramen, the Directors decided to widen its food products portfolio in the second half year of 2020 to cater the needs of the market and introduced different varieties of frozen seafood.

As the fifth wave of COVID-19 pandemic is sweeping Hong Kong, the Directors believed that people's consciousness on health will remain for a period of time, such that demand for frozen or fresh fish, livestock and poultry will remain stable. Even after the pandemic is totally under control, it is believed that the demand will not decrease significantly, as they still share a big proportion among all goods in non-supermarket shops or supermarkets. Therefore, the Directors will from time to time source more varieties of frozen seafood to expand market share in the frozen food sector. Also, the Directors will source more dairy products such as bread and pastry to diversify the risk the Group's food product portfolio.

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

The Directors will continue their discussion with food importers and brand owners for distributing certain brands of food and beverage. It is expected that more food and beverage will be launched in supermarkets and online sales platform of the Group.

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

However, it was suspected the relaxation of social distancing measures has affected the performance of this segment, the Directors will closely monitor the situation and take appropriate action accordingly.

Provision of money lending services

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

Provision of financial services

The performance of the financial services business was not satisfactory. In addition to the global economic downturn and uncertainty of the Hong Kong economy brought by the fifth wave of COVID-19 pandemic, the geographical threats deteriorated as war broke out between Russia and Ukraine. Further to the United State sanctions imposed to Hong Kong on August 2020 and the tension between United State and China, Hong Kong financial institutions face the unknown threats that might harm the Hong Kong economy.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 36 full-time employees (31 December 2021: 52). Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$5,293,000 (six months ended 30 June 2021: approximately HK\$9,586,000). The Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the Reporting Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 May 2011 (the “Share Option Scheme”) which was for a period of 10 years lapsed on 5 May 2021. During the Reporting Period, no share options have been granted under the Share Option Scheme.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the Reporting Period.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the following deviation:

Provision A.2.1 of the CG Code prescribed, among others, the roles of chairman of the Board and chief executive of the Company should be separate and should not be performed by the same individual. During 1 January 2022 to 14 February 2022, the Company did not appoint a chairman of the Board. However, on 14 February 2022, the Company has appointed a chairman of Board and a chief executive officer and was complied the applicable code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code”). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 31 July 2001 with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management system of the Group. The Audit Committee currently comprises three independent non-executive Directors, namely Ms. Yuen Wai Man (Chairman of the Audit Committee), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the Reporting Period have been reviewed by the Audit Committee.

By Order of the Board
China Eco-Farming Limited
Liu Chun Fai
Chairman & Executive Director

Hong Kong, 9 August 2022

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