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*(Continued into Bermuda with limited liability)*

**(Stock Code: 8166)**

## **DECISION OF THE GEM LISTING COMMITTEE**

This announcement is made by China Eco-Farming Limited (the “**Company**”) pursuant to Rule 17.10 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated 9 December 2022 and 13 December 2022 in relation to, among other matters, a letter from the Stock Exchange notifying the Company that the Listing Division of the Stock Exchange (the “**Listing Division**”) has decided that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares (the “**LD’s Decision**”), and the announcement of the Company dated 19 December 2022 in relation to the request of the Company for a review of the LD’s Decision by the GEM Listing Committee (the “**Committee**”) (collectively, the “**Announcements**”). Unless the context otherwise requires, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

### **DECISION OF THE COMMITTEE**

The Board wishes to inform the shareholders and potential investors of the Company and hereby announces that the review hearing of the LD’s Decision by the Committee (the “**Review Hearing**”) was held on 14 March 2023. On 4 April 2023, the Company received a letter from the Committee notifying the Company that, having considered all the submissions (both written and oral) made by the Company and the Listing Division, the Committee was of the view that the Company has failed to maintain a sufficient level of operations and assets of sufficient value as required under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of its shares. The Committee therefore decided to uphold the LD’s Decision to suspend trading in the Company’s shares under Rule 9.04(3) of the GEM Listing Rules (the “**LC’s Decision**”).

The Committee arrived at the LC's Decision for, among other matters, the following reasons:

**On operation**

1. The Company primarily operates the One-stop Value Chain Business, the Food Trading Business and the Consumables Trading Business. The One-stop Value Chain Business has deteriorated significantly and operated at a minimal scale since 2019. While the Company sought to develop the Food Trading Business and the Consumables Trading Business, each business did not significantly improve the level of the Company's operations. The Company's operating scale remained minimal (or had been terminated due to financial difficulty). Since the year ended 31 December 2015, the Company has recorded a net loss and a net operating cash outflow in every financial year.
2. At the Review Hearing, the Company acknowledged that it was doubtful when it could start generating a profit, despite its efforts to cut costs and its expectation that the prospects for its businesses would benefit from an improved economic environment.
3. Given the Company's continuous low level of operations, which started prior to the outbreak of COVID-19, the Committee was unpersuaded by the Company's submission that the deteriorating performance was a temporary downturn due to COVID-19.
4. The Committee considered the Company had failed to demonstrate that any of the Company's businesses were of substance, viable and sustainable.

**(I) *One-stop Value Chain Business***

5. The One-stop Value Chain Business, being the Company's core business since 2008, has maintained a minimal level of operations. For the year ended 31 December 2019 (before the COVID-19 pandemic), it generated minimal revenue of HK\$7 million. Since then, its revenue remained minimal at a level of around HK\$3 million which, in itself or together with the Company's other businesses, was insufficient to cover the Company's corporate expenses. The downturn did not appear to be temporary.
6. The Company did not appear to have a viable business model or a concrete and credible plan to operate and develop the business to ensure its viability and sustainability. In the Company's submissions for the Review Hearing dated 20 January 2023 (the "**Review Submission**"), the Company sought to rely on Mr. Liu Chun Fai ("**Mr. Liu**"), an executive director and the chairman of the Board appointed in February 2022, to expand this business. The Committee considered the Company had failed to demonstrate how this business could be substantially improved with the aid of Mr. Liu, particularly taking into account (i) the lack of concrete details provided on the steps taken or to be taken to develop the business, either in the Review Submission or at the Review Hearing, and (ii) the minimal segment revenue of HK\$2 million for 3Q2022, despite Mr. Liu's said appointments in early 2022.

## **(II) Food Trading Business**

7. Since 2018, the Food Trading Business has been carrying out a minimal level of operations. Despite a short-lived improvement in 2020, the scale of operation has remained small and recorded minimal revenue of HK\$16 million for 2021 and HK\$4 million for 3Q2022. Although the Company submitted at the Review Hearing that the revenue of this business for the three months ended 31 December 2022 amounted to HK\$6.5 million, the Committee did not consider a business of such scale viable and sustainable. The Company also failed to demonstrate that it had an established business model, a concrete business plan or demonstrable competitive advantages in procuring customer orders or developing a customer base that supported the viability and sustainability of the business, having regard to the following:
- (a) For the distribution of ramen and udon products under the “Nittin” brand, which contributed to a substantial portion of the segment revenue for 2020 and 2021, the Company failed to renew the sole distributorship agreement after its expiry in February 2022.
  - (b) For the sale of frozen food products, it has a limited operating history commencing from 2020 and has since maintained a minimal level of operation.
  - (c) In the Review Submission, the Company mentioned the distribution of branded products of five companies from Thailand, Norway, Ukraine and the Philippines, and the strategic business collaborations entered into with a Japanese restaurant chain and an importer for premium seafood and other fine foods in the fourth quarter of 2022. The Company did not however provide details on the amount of revenue generated or to be generated from these arrangements. It was therefore uncertain whether and how such distributorships or collaborations would significantly improve this business.
  - (d) The Company did not provide a credible profit forecast to demonstrate the prospect of the Food Trading Business going forward.

### ***(III) Consumables Trading Business***

8. Since 2016, the Consumables Trading Business has also been carrying out a minimal level of operations and incurring segment losses. Despite a short-lived improvement in 2020, the business incurred a gross loss in 2021. As submitted at the Review Hearing, the unaudited revenue of this business for the year ended 31 December 2022 amounted to HK\$16 million only. The Committee did not consider a business of such scale viable and sustainable. The Company also failed to demonstrate that the Company had an established business model, a concrete business plan or demonstrable competitive advantages in procuring customer orders or developing a customer base that supported the viability and sustainability of the business, having regard to the following:
- (a) The Consumables Trading Business appeared to rely wholly or substantially on the sale of reusable bags to generate income. The Committee noted the sale of recycle plastics appeared to have ceased operation after its operating subsidiary was ordered to be wound up in November 2022, and the Company did not provide any update on the development of the sale of masks under the MIHK brand in the Review Submission or at the Review Hearing.
  - (b) It was unclear how the sale of reusable bags could significantly improve the scale of operations of the business. The three purchase orders placed by Hong Kong Post in 2022 only amounted to HK\$1.6 million. Further, the Company did not provide details, in the Review Submission or at the Review Hearing, on the amount of revenue generated or to be generated from the purchase orders secured from more than 30 clients including educational organisations, corporate clients and non-governmental organisations in 2022.
  - (c) The Company did not provide any update on the status of the contract entered into with a PRC state-owned enterprise for supplying sunflower meal, as mentioned in its submission in November 2022. In any event, the contract was one-off in nature and insufficient to support the viability and sustainability of the Consumables Trading Business.
  - (d) The Committee noted the Company's plan in the Review Submission to explore business opportunities to distribute disposable dishware to the corporate clients of the Food Trading Business. However, such plan was generic, preliminary and lacked concrete details.
  - (e) The Company did not provide a credible profit forecast to demonstrate the prospects of the business going forward.

#### ***(IV) Others***

9. The Committee was also of the view that the other businesses, including the Property Investment Business, the Money Lending Business and the Financial Services Business were businesses without substance operated with minimal activity for years. The Company did not submit any updates or plans in respect of these businesses in the Review Submission or at the Review Hearing.

#### **On assets**

10. As at 30 June 2022, the Company had total assets of HK\$235 million but net current liabilities of HK\$45 million. Its assets mainly included (i) deposits paid of HK\$107 million and investment properties of HK\$17 million which appeared to support the Property Investment Business which has been operated with minimal activity; and (ii) interests in associates of HK\$30 million.
11. While the Company intended to apply the proceeds from the rights issue of HK\$3 million in May 2022 and disposal of securities of a listed company of HK\$2 million in June 2022 to pay debts and general working capital, it did not demonstrate how such proceeds would enable it to operate a viable and sustainable business. Also, the Committee was concerned about the Company's ability to settle the borrowings of HK\$39.6 million in its current liabilities as of 30 June 2022, as the Company did not provide a concrete answer at the Review Hearing as to how such borrowings would be settled.
12. In these circumstances, the Committee was of the view that the Company did not have assets of sufficient value to support its operations under GEM Rule 17.26.

#### **Alleged impact of the COVID-19**

13. The Committee noted the Company's alleged impact of the COVID-19 pandemic on its business operation. However, the Committee was not satisfied that the Company had established that its current business situation represented a temporary downturn caused by COVID-19 and not other factors unrelated to COVID-19. In particular:
  - (a) The Company's alleged impact of COVID-19 on its business operation was generic and devoid of factual basis to establish how and the extent to which COVID-19 had prevented it from implementing its business plans (if any) or otherwise operating its businesses to meet GEM Rule 17.26.
  - (b) As explained above, the Company's businesses were not demonstrated to be operated with a business model which was of substance, viable and sustainable. The Company did not provide evidence to show that, but for COVID-19, there could have been a material improvement in its business performance which could have enabled it to re-comply with GEM Rule 17.26.
14. In light of the above, the Committee considered that the Company had failed to maintain a sufficient level of operations and assets of sufficient value as required under GEM Rule 17.26(1) to warrant the continued listing of its shares.

## **RIGHT TO REQUEST FOR A REVIEW OF THE LC'S DECISION**

Under Chapter 4 of the GEM Listing Rules, the Company has the right to have the LC's Decision be referred to the GEM Listing Review Committee of the Stock Exchange (the "**GEM Listing Review Committee**") for review, and any request for review must be served on the Secretary for the GEM Listing Review Committee within seven (7) business days from the date of the LC's Decision, i.e. on or before 18 April 2023. The Company is in the process of seeking advice from its external adviser and will actively consider to make a request for the LC's Decision to be referred to the GEM Listing Review Committee for review.

Shareholders and potential investors are reminded that the Company has yet to make a decision as to whether or not to request for a review of the LC's Decision and the outcome of such review by the GEM Listing Review Committee is uncertain, if undertaken.

Further announcement(s) will be made by the Company as and when appropriate and in accordance with the requirements of the GEM Listing Rules. Shareholders who have any queries about the implications of the LC's Decision are advised to obtain appropriate professional advice.

## **CONTINUED SUSPENSION OF TRADING**

Trading in the Company's shares on the Stock Exchange, which was suspended with effect from 9:00 a.m. on 3 April 2023 remains suspended and will continue to be so until further notice.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 4 April 2023

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

*This announcement, 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 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.chinaeco-farming.com> and the "Latest Listed Company Information" page of the HKEx website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication.*