中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF THE GEM ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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.

The board (the "Board") of Directors is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 together with the comparative figures for the year ended 31 December 2021.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group's auditors, Asian Alliance (HK) CPA Limited ("Asian Alliance"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Asian Alliance in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards of Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Asian Alliance on this preliminary announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022**	2021
		HK$'000	*HK$'000*
Revenue	*4*		
Goods and services		**25,811**	73,050
Interest under effective interest method		**323**	217
Total revenue		**26,134**	73,267
Cost of sales		**(30,328)**	(72,411)
Gross (loss) profit		**(4,194)**	856
Other income, gains or losses, net		**2,668**	1,721
Impairment losses recognised under expected credit loss model, net		**(7,479)**	(10,629)
Loss from changes in fair value of investment properties, net		**(1,697)**	(1,678)
(Loss) gain from changes in fair value of financial assets at fair value through profit or loss		**(1,930)**	3,019
Gain on deconsolidation of subsidiaries		**3,982**	–
(Loss) gain on disposal of subsidiaries, net		**(5,305)**	121
Gain on written-off of current account, net		**9,952**	–
Impairment loss recognised on goodwill		**–**	(725)
Impairment loss recognised on deposits paid		**(7,219)**	(5,445)
Selling and distribution expenses		**(370)**	(870)
Administrative expenses		**(47,516)**	(32,458)
Share of results of associates		**(6,326)**	247
Finance costs	*5*	**(4,272)**	(6,279)
Loss before tax		**(69,706)**	(52,120)
Income tax credit (expenses)	*6*	**948**	(500)
Loss for the year	*7*	**(68,758)**	(52,620)

	Notes	**2022** ***HK$'000***	2021 *HK$'000*
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**(3,935)**	(812)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**7,513**	1,611
Release of cumulative exchange reserve upon deconsolidation/disposal of foreign operations		**2,677**	1,043
		10,190	2,654
Other comprehensive income for the year, net of income tax		**6,255**	1,842
Total comprehensive expense for the year		**(62,503)**	(50,778)
Loss for the year attributable to:			
Owners of the Company		**(62,359)**	(51,270)
Non-controlling interests		**(6,399)**	(1,350)
		(68,758)	(52,620)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(55,716)**	(49,819)
Non-controlling interests		**(6,787)**	(959)
		(62,503)	(50,778)
			(Restated)
Loss per share:			
Basic and diluted *(HK cents)*	*9*	**(51.52)**	(52.92)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Plant and equipment		**112**	810
Right-of-use assets		**–**	382
Investment properties		**9,780**	16,869
Goodwill		**–**	–
Intangible asset		**758**	758
Interests in associates		**23,811**	30,137
Equity instruments at fair value through other comprehensive income		**2,865**	7,261
Deposits paid		**98,396**	108,996
		135,722	165,213
CURRENT ASSETS			
Inventories		**–**	2,716
Trade and other receivables	*10*	**19,860**	39,141
Loan and interest receivables		**1,328**	1,935
Loans to associates		**–**	3,826
Financial assets at fair value through profit or loss		**3,375**	8,780
Restricted bank balance		**649**	705
Cash and cash equivalents		**1,161**	2,850
		26,373	59,953
Assets classified as held for sale		**–**	13,547
		26,373	73,500
CURRENT LIABILITIES			
Trade and other payables	*11*	**40,096**	42,201
Contract liabilities		**4,243**	2,504
Amounts due to non-controlling interests		**2,745**	3,645
Borrowings		**37,781**	41,040
Margin loans payables		**4,768**	6,090
Lease liabilities		**–**	506
Financial guarantee contract		**141**	12,102
Income tax payable		**387**	55
		90,161	108,143
NET CURRENT LIABILITIES		**(63,788)**	(34,643)
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,934**	130,570

	2022	2021
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**–**	1,390
NET ASSETS	**71,934**	129,180
CAPITAL AND RESERVES		
Share capital	**1,300**	1,060
Reserves	**34,318**	87,214
Equity attributable to owners of the Company	**35,618**	88,274
Non-controlling interests	**36,316**	40,906
TOTAL EQUITY	**71,934**	129,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

1. GENERAL INFORMATION

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

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

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

The addresses of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is Room 707, 7/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong. The directors of the Company (the "Directors") do not consider any company to be the ultimate holding company and parent company of the Company.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of one-stop value chain services, property investment, distribution business, provision of money lending services and provision of financial services.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to Hong Kong Accounting Standards ("HKAS") 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2.1 Impacts on application of Amendments to HKFRS 3 Reference to the Conceptual Framework

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010), add a requirement that, for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC) – Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

2.2 Impacts on application of Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The Group has applied the amendments for the first time in the current year. The annual improvements make amendments to the following standards:

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

In accordance with the transitional provisions, the Group applies the amendment to financial liabilities that are modified or exchanged as at the date of initial application, 1 January 2022.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
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	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[3]
Amendments to HKAS 21	Lack of Exchangeability[4]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.
4 Effective for annual periods beginning on or after 1 January 2025.

Except for the new and amendments to HKFRSs mentioned in Note 2 to the consolidated financial statements, the directors of the Company (the "Directors") anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

During the year ended 31 December 2022, the Group reported a loss attributable to owner of the Company of approximately HK$62,359,000 and had approximately HK$24,552,000 net cash used in operating activities and, as of 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$63,788,000, in which its total borrowings amounted to approximately HK$37,781,000, while its cash and cash equivalents amounted to approximately HK$1,161,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Although the Group has been continuously incurring losses in these years, the Directors are of the opinion that the Group will have sufficient working capital to meet its operating cash flows as and when they fall due for the next twelve months from the end of the reporting period given that:

(a) the Company is developing its existing business by, including but not limited to, expanding the product mix and its number of suppliers and customers of the Group;

(b) the Company has entered into a revolving loan agreement with each of the two executive Directors, namely Mr. So David Tat Man and Mr. Liu Chun Fai, respectively, for a total loan facility of HK$20 million in January 2024 which will be used as working capital of the Company, as appropriate;

(c) the Company has proactively explored additional funding such as rights issue, placing of new shares, issue of new shares and/or convertible bonds, depending on the prevailing market conditions and the development of the Group's businesses;

(d) the Company is actively negotiating with relevant parties and will use its best endeavor to repay the outstanding liabilities. Additionally, the Company has proactively negotiate with relevant parties in relation to the recovering of its other receivables;

(e) The Company is in negotiation with the creditor(s) of the Group in relation to potential capitalisation of the debt. It will not only reduce the debt but will also increase the shareholder base of the Company;

(f) the Directors will continue to explore business opportunities and implement stronger measures aiming at improving the working capital and cash flows of the Group, including enhancing the over profitability of the Group by introduction of higher gross profit margin products, closely monitoring the incurrence of operating expenditures and streamlining unnecessary expenditures of the Group;

(g) The Company will use its best endeavours to minimise its expenditures including but not limited to administrative expenses as well as operating costs.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2022. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2022 on a going concern basis. The consolidated financial statements do not provide for further liabilities which might arise, and do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Segment revenue	
	2022	2021
	HK$'000	*HK$'000*
One-stop value chain services	**2,198**	3,252
Distribution business	**23,613**	69,798
Revenue from contracts with customers	**25,811**	73,050
Interest under effective interest method	**323**	217
Total revenue	**26,134**	73,267

5. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest on borrowings	**2,615**	2,873
Reimbursement of finance costs borne by lenders	**76**	1,719
Interest on lease liabilities	**21**	85
Interest on margin loans payables	**533**	590
Interest on balancing payment for the acquisition of further interest in subsidiaries	**747**	861
Others	**280**	151
	4,272	6,279

6. INCOME TAX (CREDIT) EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
– Current tax	**5**	17
– Under-provision in prior years	**–**	60
PRC Land Appreciation Tax	**353**	–
	358	77
Deferred tax	**(1,306)**	423
	(948)	500

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2022	2021
	HK$'000	*HK$'000*
Directors' emoluments	**4,062**	2,976
Other staff costs (excluding directors' emoluments):		
– Salaries and other benefits	**8,049**	14,475
– Retirement benefits scheme contributions	**687**	786
Total staff costs *(Note (a))*	**12,798**	18,237
Auditors' remuneration:		
– Audit services	**1,337**	870
Cost of inventories recognised as an expense	**21,029**	72,148
Depreciation of plant and equipment *(Note (b))*	**375**	990
Depreciation of right-of-use assets *(Note (c))*	**382**	557
Impairment loss recognised on right-of-use assets	**–**	71
Loss on written-off of other receivables	**242**	–
Loss on settlement of loans to associates	**–**	6,303

Notes:

(a) Staff costs amounted to approximately HK$2,100,000 (2021: HK$2,950,000) and HK$10,698,000 (2021: HK$15,287,000) have been included in cost of sales and administrative expenses respectively.

(b) Depreciation of plant and equipment amounted to approximately HK$7,000 (2021: HK$21,000) and HK$368,000 (2021: HK$969,000) have been included in cost of sales and administrative expenses respectively.

(c) Depreciation of right-of-use assets amounted to approximately HK$382,000 (2021: HK$557,000) has been included in administrative expenses.

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2022	2021
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(62,359)**	(51,270)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**121,047,026**	96,890,573

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

The denominator for the purpose of calculating basic and diluted loss per share in 2021 has been restated due to the effect of rights issue during the year ended 31 December 2022.

Details of share consolidation and rights issue are out in the consolidated financial statements.

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2022 and 2021.

10. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables arise from contracts with customers *(Note)*	**19,190**	24,539
Less: Allowance for credit losses	**(13,312)**	(1,474)
	5,878	23,065
Prepayments to suppliers	**4,166**	1,676
Deposits	**40**	1,680
Other receivables	**24,694**	21,545
	24,734	23,225
Less: Allowance for credit losses	**(14,918)**	(8,825)
	9,816	14,400
	19,860	39,141

Note: As at 1 January 2021, trade receivables from contracts with customers amounted to HK$11,321,000.

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

	2022	2021
	HK$'000	*HK$'000*
0 to 30 days	**5,298**	3,847
31 to 90 days	**563**	15,429
Over 90 days	**17**	3,789
	5,878	23,065

11. TRADE AND OTHER PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**9,853**	14,985
Other payables	**30,243**	27,216
	40,096	42,201

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

	2022	2021
	HK$'000	*HK$'000*
0 to 30 days	**3,114**	3,541
31 to 90 days	**2,739**	5,252
Over 90 days to 1 year	**1**	6,192
Over 1 year	**3,999**	–
	9,853	14,985

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022 which has included a disclaimer of opinion:

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

1. Limitation of scope on the settlement in relation to disposal of investment properties

As disclosed in Note 18 to the consolidated financial statements, on 6 September 2022, 福建尚同投資有限公司 (the "Vendor"), a wholly-owned subsidiary of the Company, had disposed of a property located in Fujian Province, at a consideration of RMB3,425,000 (the "Consideration") to an independent third party (the "Purchaser ").

During the course of our audit, we have been told by the management of the Company that part of the Consideration, amounted to RMB3,125,000, had been received by Mr. Tin Ka Pak, Timmy ("Mr. Tin"), the chief executive officer and executive director of the Company, on behalf of the Vendor, in order to settle the taxation issue of an indirect wholly-owned subsidiary of the Company in the PRC as he was willing to travel to PRC under compulsory quarantine requirement during the material time of COVID-19 pandemic. On 31 October 2022, the Board has approved Mr. Tin to keep RMB1,125,000 out of the amount received by Mr. Tin in his personal bank account, further details are set out in Note 25(b)(iii) to the consolidated financial statements. For the remaining RMB2,000,000 out of the amount received by Mr. Tin, Mr. Tin had deposited RMB100,000 into the Vendor's bank account, and had remitted RMB1,900,000 to the bank accounts of other subsidiaries in Hong Kong through the remittance company.

However, we have not been provided with the supporting documents from the Board that would satisfy ourselves as to the reasonableness of authorising Mr. Tin to receive part of Consideration on behalf of Vendor. There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence in this regard.

Any adjustments found to be necessary to the above matters might have significant consequential effects on the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2022, the consolidated financial position of the Group as at 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

2. **Limitation of scope on deconsolidation of Seal Eco Advance Limited ("Seal Eco") and its subsidiary (collectively referred as the "Deconsolidated Subsidiaries")**

As disclosed in Note 45 to the consolidated financial statements, a winding-up order was made by the High Court against Seal Eco at the hearing of the Petition on 16 November 2022 (the "Deconsolidation Date"). The Official Receiver of Hong Kong and the joint and several provisional liquidators were appointed pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The books and records of the Deconsolidated Subsidiaries were kept and maintained by the bankruptcy administrator, which were not made available to the Group's management subsequent to the Deconsolidation Date. Consequently, the Group had deconsolidated the Deconsolidated Subsidiaries (the "Deconsolidation") as the Directors considered that as the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, the Group's control over the Deconsolidated Subsidiaries had been lost on the Deconsolidation Date.

Under the circumstances as explained above, we were not able to carry out procedures which we considered necessary on the books and records of the Deconsolidated Subsidiaries, to satisfy ourselves as to:

(i) the existence, rights and obligations, completeness, accuracy, valuation and classification of its total assets of approximately HK$5,987,000, total liabilities of approximately HK$14,629,000 and the cumulative translation reserve of approximately HK$2,677,000 as at the Deconsolidation Date;

(ii) its loss and total comprehensive expenses for the period of approximately HK$22,915,000 and HK$25,086,000, respectively for the period from 1 January 2022 to the Deconsolidation Date;

(iii) the segment information of distribution business and other related disclosure notes in relation to the Deconsolidated Subsidiaries, as included in the consolidated financial statements of the Group for the year ended 31 December 2022; and

(iv) the accuracy of the gain on deconsolidation of subsidiaries of approximately HK$3,982,000, as included in the profit or loss of the Group for the year ended 31 December 2022.

There were no other satisfactory audit procedures that we could adopt to obtain sufficient appropriate evidence in this regard.

Financial information in respect of the Deconsolidated Subsidiaries is set out below:

Income and expenses of the Deconsolidated Subsidiaries:

	From 1 January 2022 to Deconsolidation Date *HK$'000*
Revenue	10,389
Cost of sales	(16,327)
Gross loss	(5,938)
Other income	304
Administrative expenses	(17,281)
Loss before tax	(22,915)
Income tax expense	–
Loss for the period	(22,915)
Other comprehensive expense	(2,171)
Total comprehensive expense for the period	(25,086)
Total comprehensive expense for the period attributable to:	
Owners of the Company	(18,778)
Non-controlling interests	(6,308)
	(25,086)

Assets and liabilities of the Deconsolidated Subsidiaries:

	As at Deconsolidation Date *HK$'000*
Plant and equipment	323
Trade and other receivables	3,272
Amount due from the Group	2,173
Cash and cash equivalents	219
Trade and other payables	(12,798)
Loan from a shareholder	(750)
Amount due to the Group	(181)
Amount due to non-controlling interests	(900)
Net liabilities of the Deconsolidated Subsidiaries	(8,642)
Equity attributable to owners of the Company	(6,445)
Non-controlling interests	(2,197)
	(8,642)

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statement of profit or loss and other comprehensive income in respect of the Deconsolidated Subsidiaries for the period from 1 January 2022 to the Deconsolidation Date and consolidated statement of financial position in respect of the Deconsolidated Subsidiaries at the Deconsolidation Date, with a corresponding effect on the gain on deconsolidation of subsidiaries for the year ended 31 December 2022, and the related disclosures thereof in the consolidated financial statements.

Also, as at 31 December 2022, included in other payables, was an amount of approximately HK$2,173,000 which represented amount due to the Deconsolidated Subsidiaries as a result of the Deconsolidation. We are unable to obtain supporting evidence to satisfy ourselves as to the balance is free from material misstatement. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to verify the accuracy, rights and obligations and completeness of this balance as at 31 December 2022. Accordingly, we were unable to satisfy ourselves as to whether the amount due to the Deconsolidated Subsidiaries was fairly stated.

Any adjustments found to be necessary to the above matter might have significant consequential effects on the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2022, the consolidated financial position of the Group as at 31 December 2022 and the related disclosures thereof in the consolidated financial statements.

3. **Multiple fundamental uncertainties relating to going concern**

As described in Note 3.1 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK$62,359,000 and had net cash used in operating activities of approximately HK$24,522,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$63,788,000, in which its total borrowings amounted to approximately HK$37,781,000, while its cash and cash equivalents amounted to approximately HK$1,161,000 only.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position as described in Note 3.1 to the consolidated financial statements. The consolidated financial statements have been prepared by the directors on a going concern basis, the validity of which depends on the Group's ability to obtain sufficient future funding. Due to the uncertainty of the Group's ability to maintain adequate future cash flows, we were unable to ascertain whether the assumptions made by the directors in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

Should the going concern assumption be inappropriate, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities respectively, write-down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments. However, the uncertainties surrounding the Group's future cash flows raises significant doubt on the Group's ability to continue as a going concern. We consider that appropriate disclosures have been made in the consolidated financial statements concerning this situation, but we are unable to obtain adequate evidence concerning the Group's ability to meet any financial obligations as and when they fall due and we consider that these material uncertainties relating to going concern basis.

We consider the cumulative effect of the above matters on the consolidated financial statements is so extreme that we have disclaimed our opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the year ended 31 December 2022, the Company and its subsidiaries (collectively, the "Group") was principally engaged in (i) the business of one-stop value chain services, (ii) property investment, (iii) distribution business, (iv) provision of money lending services, and (v) provision of financial services.

During the year ended 31 December 2022, the Group recorded revenue of approximately HK$26,134,000 (2021: HK$73,267,000), representing an decrease of approximately 64.3% as compared to that of last year. Loss for the year attributable to owners of the Company amounted to approximately HK$62,359,000 (2021: HK$51,270,000). The basic loss per share of the Company was approximately HK51.52 cents (2021: HK52.92 cents (restated)).

Property Investment

During the year ended 31 December 2022, the property investment segment reported nil revenue (2021: HK$Nil). No revenue was generated. As at 31 December 2022, the Group held properties in Hong Kong for investment purpose amounted to approximately HK$9,780,000 (2021: in PRC and Hong Kong of HK$16,869,000).

One-stop Value Chain Services

During the year ended 31 December 2022, the one-stop value chain services segment reported a revenue of approximately HK$2,198,000 (2021: HK$3,252,000), representing a decrease of approximately 32.4%, as compared to that of last year. Due to the continuation of the COVID-19 pandemic, only a lower level of business was generated from the gaming industry to sell gaming related products.

Distribution business

During the year ended 31 December 2022, this business segment reported a revenue of approximately HK$23,613,000 (2021: HK$69,798,000), representing a decrease of approximately 66.2%, as compared to the last year. This business segment is composed of consumables and agricultural products, as well as food and beverages. The consumables and agricultural products include reusable bags, resin plastics (ABS) and polyethylene (PE) recycle plastic products and sunflower meal. Due to the continuation of the COVID-19 pandemic in the 2022, the accordingly low level of economic activities has adversely affected the consumables business especially the re-usable bags including sales of tailor-made re-usable bags, local manufactured surgical masks, bulk commodities of relevant plastic materials like resin plastics (ABS) and polyethylene (PE) and recycling of used plastic products.

For the reusable bag business, the main business drop is due to the Hong Kong Post Office order. As the internal procurement procedures of the Hong Kong Post Office has been changed since 2021, and now they break down the one tender order into few separate orders quarterly. Revenue from the recycle of used plastic products has dropped significantly. Due to high factory overhead for the re-cycling, the level of business cannot contribute a positive gross profit margin of the Group.

For the food and beverage business, the Group was the sole and exclusive distributor for the sale and distribution of ramen and udon products under the brand of "Nittin"（日丁）in Hong Kong, Macau and Taiwan. The trademark licence agreement and the sole distributorship agreement for ramen and udon were renewed for a period of 3 years on 25 March 2019 expiring on 4 February 2022. Details of the renewal was disclosed in the announcement of the Company date at 25 March 2019. The agreements have expired in February 2022 and has not been renewed.

For the food and beverage business, the business dropped mainly because of the unexpected fifth wave outbreak of COVID-19 in Hong Kong early this year. The impact is significantly strong as most of the market players suffered from it in different aspects. Downstream clients request to extend for a longer payment terms, which will eventually tighten the Company's cashflow and hence a slower business cycle is resulted. Meanwhile the worsen economic also discouraged the spending of people, which resulted a lower demand from the customers.

Provision of money lending services

During the year ended 31 December 2022, the Group's money lending services segment reported a revenue of approximately HK$323,000 (2021: HK$217,000), representing an increase of approximately 48.8% as compared with the last corresponding period.

Major terms of loans granted

The total outstanding principal amount of the loans granted in Hong Kong (the "HK Loans") as at 31 December 2022 was HK$8.5 million bearing interest at the rate ranging from 8% to 36%, maturing from one month to one year, with unlisted shares as collaterals. As at 31 December 2022, the loan and interest receivables in relation to the HK Loans (the "HK Loan Receivables") amounted to approximately HK$1.3 million and an allowance for credit losses of the HK Loan Receivables amounted to approximately HK$7.2 million.

During the year ended 31 December 2020, the Group has granted the loans to 7 individuals in the PRC (the "PRC Loans") with an aggregated principal amount of RMB13.9 million. The PRC Loans are unsecured and bear interest rate ranging from 8% to 12% per annum with a term ranging from 6 months to 36 months. As at 31 December 2022, the net of the PRC Loans (the "PRC Loan Receivables") amounted to approximately RMB5.3 million and an allowance for credit losses of the PRC Loan Receivables amounted to approximately RMB8.6 million.

Accordingly, the aggregate of the outstanding principal amount of the HK Loans and the PRC Loans amounted to HK$24.1 million as at 31 December 2022.

Details of PRC Loans

Borrower	Balance as at 31.12.2022 Principal as at 31.12.2022 *RMB*	Allowance for credit losses as at 31.12.2022 *RMB*	Net as at 31.12.2022 *RMB*
Individual 1 – PRC resident	600,000.00	372,000	228,000
Individual 2 – PRC resident	810,000.00	502,000	308,000
Individual 3 – PRC resident	900,000.00	558,000	342,000
Individual 4 – PRC resident	800,000.00	496,000	304,000
Individual 5 – PRC resident	800,000.00	496,000	304,000
Individual 6 – PRC resident	5,000,000.00	3,100,000	1,900,000
Individual 7 – PRC resident	5,000,000.00	3,100,000	1,900,000
	13,910,000.00	8,624,000	5,286,000

Loan impairments

In early 2022, the Company appointed valuer to ascertain the value for the expected credit loss of the loans for the year ended 31 December 2022.

The impairment assessment was prepared on the basis of Expected Credit Loss in accordance with "HKFRS 9－Financial Instruments". The HKFRS 9 outlines a "Three-stage" general approach (the "General Approach") for impairment based on changes in credit quality since initial recognition. To determine the amount of impairment, the valuer discussed with the management on the credit risk level on the status of the loans (including the consideration of the default of the loans, as at 31 December 2021, most of loans are in default except for two loans with maturity in January 2022 which also defaulted after the financial year ended 31 December 2021), and split the receivables into different stage of default and then by applying the Standard ECL Formula (i.e. expected credit loss = exposure at default ("EAD") × probability of default ("PD") × loss given default ("LGD") × discount factor) to come up with the allowance for credit losses.

As at 31 December 2022, an impairment loss of the HK Loan Receivables and PRC Loan Receivables of approximately HK$16.9 million was recognised (2021: impairment loss of the Total Loan Receivables of approximately HK$15.55 million). The increase was mainly attributable to the increase in expected credit loss provided for the PRC Loans.

With regard to the latest repayment status, partial repayments of the PRC Loans interests and principals have been received by the Company during 2022 and full repayments of the loans has been received by the Company during 2024.

Internal control system

Before granting the loans, the Group has conducted credit assessment basically follow the Internal Control Procedures (as defined below) of the Company including but not limited to the background of the potential customer including its job nature and income for their repayment abilities.

The Group has considered the factors in credit assessment before granting the loans. In light of the economic uncertainties, the Group would only consider granting of loans to independent third parties with collaterals/guarantee in the future.

Internal control procedures ("Internal Control Procedures")

The Company will consider certain factors in credit assessment including but not limited to (i) the background of the potential client including its job nature and income; (ii) the credit history such as previous loans and the repayment durations; and (iii) the bank history in the bank statement.

Loan terms are determined with mainly reference to the market rates, financial background of each client and value of collaterals (if applicable).

The identity, beneficial ownership of collaterals (if applicable) and the amount wishes to borrow of the potential customer will be assessed. After the assessment and based on the information provided, the application will be reviewed and preliminary due diligence will be conducted. Upon the loan assessment, the officer will approve the loan application and need to ensure that the customer meet the eligibility and approval criteria for the loan. If the applicant is considered fail after the assessment, the application will be denied. When the application together with the relevant results from the credit assessment are approved, the applicant will sign the loan agreement and the loan will be drawn to the applicant thereafter.

A loan register is maintained by the Group in order to keep track of loan and interest repayments. The Group will also remind clients before due date by telephone calls and/or sending relevant debit notes.

If there were overdue loans, follow up telephone calls will be made to remind clients for repayment. If clients still fail to repay, demand letter will be issued. After a final reminder and no response from customer, further actions included but not limited to legal proceedings may be considered to institute to recover the outstanding loan and interest receivable.

Provision of financial services

Due to unfavorable market conditions, no income was generated from financial consultancy services.

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$6,240,000 as at 31 December 2022, representing approximately 3.85% of the Company's total assets (2021: approximately HK$16,041,000, representing approximately 6.72% of the Company's total assets).

Environmental Policies and Performance

The Board admits the responsibility to environmental protection. Over the years, the Group has committed to reduce waste and pollution with a view of effective and efficient resources utilisation in the office spaces. Staff are reminded from time to time the Group's direction in this respect.

Compliance with the Relevant Laws and Regulations

The Group's main business and operation work within common trade practice environment and the Group endeavours to comply with all legal and regulatory requirements. In relation to the human resources, the Group is committed to comply with the requirements of the applicable laws and regulations, such as the Employment Ordinance, ordinances in relation to discrimination, the Privacy Ordinance and the Minimum Wage Ordinance. The Group also values good conduct of the employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees. On the corporate level, the Group continuously complies with the requirements under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Ordinance ("SFO"), such as disclosure of interests, corporate governance, Model Code for Securities Transactions by Directors of the Listed Issuers and "Inside Information" disclosure. The Group employs legal and financial advisers when undergoing acquisitions or other corporate exercises. During the year ended 31 December 2022, there was no material breach of or non-compliance with the applicable laws and rules by the Group.

The Group recognises importance of retaining talents to ensure the ongoing execution of business plans. The Group has established all-rounded staff policy and guidelines for staff welfare, provide a safe workplace, and support the development of talent. The Group provides incentives to its employees based on their performance. The Group encouraged employees to update their work-related knowledge, skill by providing training offered by external organisations. During the year, no violation of labour law was recorded. The key customers of the Group include the long term trading customers and tenants of the investment properties. The key suppliers of the Group are the suppliers of the trading business. The Group has established long term and solid business relationship with the suppliers which ensures stable supply and quality products which meet customers' demand. During the year, there was no material dispute between the Group and the customers/suppliers.

FINANCIAL REVIEW

For the year ended 31 December 2022, the Group recorded a revenue of approximately HK$26,134,000 (2021: HK$73,267,000), representing a decrease of approximately 64.3% as compared to that of last year.

Cost of sales for the year under review was approximately HK$30,328,000 (2021: HK$72,411,000), representing a decrease of approximately 58.1% as compared to that of last year. The decrease of cost of sales was mainly due to the decrease in the distribution business.

Administrative expenses for the year under review was approximately HK$47,516,000 (2021: HK$32,458,000), representing an increase of approximately 46.3% as compared to that of last year. The increase was mainly attributable to the increase in marketing expenses, entertainment expenses and exchange differences.

Finance costs for the year under review was approximately HK$4,272,000 (2021: HK$6,279,000), representing a decrease of approximately 32.0% as compared to that of last year due to no interest provision for Asiaciti Management Ltd and Gold Wide Holdings Limited for the total of loan principal amount RMB13,000,000 and RMB4,550,000 respectively.

The Group recorded a loss for the year attributable to owners of the Company in the amount of approximately HK$62,359,000 (2021: HK$51,270,000). Basic loss per share of the Company decrease from HK52.92 cents (restated) for the year ended 31 December 2021 to HK51.52 cents for the year ended 31 December 2022.

Liquidity and Financial Resources

The Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. At 31 December 2022, the bank balances and cash of the Group was approximately HK$1,161,000 (2021: HK$2,850,000).

At 31 December 2022, the net assets of the Group was approximately HK$71,934,000 (2021: HK$129,180,000) and the net current liabilities was approximately HK$63,788,000 (2021: HK$34,643,000).

Gearing Ratio

At 31 December 2022, the total liabilities of the Group amounted to approximately HK$90,161,000 (2021: HK$109,533,000), which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loans payables, financial guarantee contract, amounts due to non-controlling interests and income tax payable. These liabilities are denominated in Hong Kong dollars, Renminbi, United State Dollars, Australian Dollars and New Taiwan Dollars.

At 31 December 2022, the Group had total assets of approximately HK$162,095,000 (2021: HK$238,713,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, turned to 0.56 as at 31 December 2022 (2021: 0.46).

Segmental Information

An analysis of the Group's performance for the year ended 31 December 2022 by business segment is set out in note 4 to the consolidated financial statements.

Employees and Remuneration Policies

As at 31 December 2022, the Group had 21 (2021: 52) total number of full-time employees. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2022 were approximately HK$12,798,000 in total (2021: HK$18,237,000). 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.

Capital Structure

As at 31 December 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") (2021: HK$1,059,552.64 divided into 105,955,264 shares of HK$0.01 each).

Significant Investments, Acquisitions and Disposal of investment properties

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, and payment of the remaining balance shall be paid by one or several instalments on or before the date of completion. As at the date of this report, the amount of HK$13,958,249 remained outstanding.

Disposal of subsidiaries

On 28 September 2022, China Agricultural Finance Group Limited ("China AFG") as vendor, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with the purchaser, pursuant to which China AFG has conditionally agreed to sell to the purchaser, and the purchaser has conditionally agreed to purchase from China AFG, the sales share, representing 34% of the issued capital of Luxury Regal Limited ("Luxury Regal"), a wholly-owned subsidiary of China AFG, Luxury Regal in turn is the sole legal and beneficial owner of the entire portfolio of issued shares in China AF Asset Management Limited（中國農信資產管理有限公司）(formerly known as CHINA AGRICULTURAL CREDIT COMPANY LIMITED（中國農信有限公司）) ("CAAF"), a company incorporated in Hong Kong with limited liability, and which is licensed and authorised by the SFC (as defined below) to engage in Regulated Activity Type 4 (advising on securities) and Type 9 (asset management) as defined in the SFO, at a consideration of HK$136,000.

On 15 October 2022, China AFG disposed another 33% of the issued capital of Luxury Regal at a consideration of HK$132,000 and on 31 October 2022, disposed the balance of 33% of the issued capital of Luxury Regal at a consideration of HK$132,000 to independent third parties.

Upon completion of the above transactions, Luxury Regal and CAAF ceased to be members of the Group.

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 counterclaim 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 RMB596,000 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 on 26 February 2022. Subsequent to the reporting period, the Court of Appeal has dismissed the appeal. According to the written judgement by the Court, the responsibility of both Plaintiff and Shengshi Fuqiang has been upheld.

Charges on Group's Assets

As at 31 December 2022, the listed equity investments listed in Hong Kong with the fair value of approximately HK$2,161,000 (2021: HK$5,922,000) have been pledged to financial institutions to secure the margin loans payables of approximately HK$4,768,000 (2021: HK$6,090,000).

Further, the investment property located in Hong Kong with the fair value of approximately HK$9,780,000 (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 (2021: HK$9,000,000).

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

At 31 December 2022, the Group has provided financial guarantee to Gold Wide Holdings Limited, which is classified as an interest in associate in the consolidated financial statements of the Group, for a term loan with a principal amount of RMB13 million, bearing interest of 8% per annum for a period of three years up to 14 January 2022. (2021: RMB13 million). Since the term loan has not been repaid, the financial guarantee shall continue in force.

Capital Commitments

At 31 December 2022, the Group had capital commitment amounting to approximately HK$33,956,000 (2021: HK$47,628,000).

Exposure to Fluctuation in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi or United State Dollars, Australian Dollars 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 other alternative have been implemented.

Events after the Reporting Period

Disposal of an investment property

An indirect wholly owned subsidiary of the Company, Success Royal Investment Limited ("**Success Royal**"), has defaulted a mortgage repayment to Delta Wealth Finance Limited ("**Delta Wealth**"), a licensed money lender in Hong Kong, and Delta Wealth filed an originating summons against Success Royal on 21 February 2023 under Court of First Instance Miscellaneous Proceedings No. 275 of 2023 (the "**Originating Summons**") to, inter alia, recover possession of the Property and claim for amounts due and owing under the Mortgage. The amount due and owing by Success Royal to Delta Wealth was approximately HK$10,421,000 as at 21 February 2023.

The Court ordered, *inter alia*, on 6 July 2023 that Success Royal do repay HK$10,530,000 together with interest at the rate of 12% per annum from 8 March 2023 to the date of the Order and thereafter at judgment rate until payment to Delta Wealth (the "**Judgment Sum**"), and that Success Royal do surrender vacant possession of the mortgaged property to Delta Wealth by 2 August 2023. Success Royal surrendered vacant possession of the mortgaged property to Delta Wealth on 14 July 2023.

On 27 July 2023, Delta Wealth informed Success Royal that Delta Wealth contemplates to dispose of the mortgaged property at the sale price of HK$9,780,000 (the "**Forced Sale**"), and net proceeds therefrom will be utilised to off-set against the Judgment Sum.

For further details, please refer to the announcements dated 1 August 2023.

Disposal of partial of PRC properties

On 3 November 2023 and 30 December 2023, Fuyu entered into two sale and purchase agreements with two independent third parties to dispose of certain PRC properties at the consideration of RMB4,250,000 ("**Disposal I**") and RMB3,500,000 ("**Disposal II**") respectively in which the Board had approved and consent Fuyu to sell the PRC properties on behalf of the Group. As at the date of this announcement, the Disposal I has been completed and the Disposal II has not been completed.

OUTLOOK AND PROSPECTS

The Hong Kong economy is expected to be improved visibly in the first quarter of 2023, led by the strong recovery of inbound tourism and domestic demand. Looking forward, inbound tourism and domestic demand will remain the major drivers of economic growth this year. Visitor arrivals should recover further as transportation and handling capacity continue to catch up. The improving economic situation and prospects should boost domestic demand, though tight financial conditions will remain a constraint. On the other hand, exports of goods will continue to face significant challenges. Slower growth in the advanced economies will continue to weigh on external demand, though the faster recovery of the Mainland economy should provide some relief. The recent banking sector stress in the US and Europe also added uncertainties to the global economic outlook.

One-stop value chain services

Due to the outbreak of COVID-19 pandemic in the start of 2020, potential customers of the Group's one-stop value chain business had cut their budget on IT-related services. The Company, in view of this situation, has been devoted its all-out effort to the business including but not limited to maintain good relationship and communication with current customers and seek for new customers. The business for selling gaming related products is simultaneously developed in the second half of 2021.

This segment has its ups and downs in the last couple of years, the Directors believe that after the recovery of COVID-19 pandemic, the global economy is expected to improve, and so will be the performance of this segment.

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.

Distribution business

The Group identifies local and overseas suppliers, mainly including comprise manufacturers, brand owners, and wholesalers, to sources and procures desirable food and beverages, agricultural products and consumable, and distribute the products in Hong Kong and the PRC.

For food and beverages, with the continuous effort of the management of the Group in diversifying the portfolio of food and beverages, the Group mainly offers (i) processed seafood (e.g. crab stick, snow crab leg, scallop, fish tofu and fish balls); (ii) fresh and frozen seafood (e.g. fish, crab, lobster and scallops); (iii) fresh and frozen meat (e.g. wagyu); (iv) grocery food (e.g. cereals and legumes, oilseeds, grain and oilseed products); and (v) liquor (e.g. whisky and wine). The food and beverage products are distributed and marketed to a wide range of corporate customers, including supermarkets, grocery stores, catering companies and chained restaurants in Hong Kong. The food and beverage products are also marketed and sold to end-customers through online sales platforms, including the online store on a third-party online platform (i.e. HKTVmall) and the self-operated online store of the Group on a social media platform (i.e. Facebook online shop).

For agricultural products, the Group mainly distributes sunflower meals to a reputable customer, which is a Chinese state-owned enterprise, since FY2022. Sunflower meals are primarily used in food rations for livestock and poultry due to its high protein content. The Group is also in the negotiation with such enterprise in sourcing and suppling corn to it.

For consumable products, the Group mainly offers re-usable bags to various type of customers, including government authority (i.e. Hong Kong Post Office), corporate customers which include companies listed on the Main Board, educational institutions (e.g. schools, Education Bureau) and non-governmental organisations (NGOs).

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 has not been satisfactory. The Group had an interest in 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”) which was disposed in the fourth quarter of 2022. This segment also provides financial consultancy services but no income was generated in the Reporting Period. The Directors have decided to scale down the financial services business and 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.

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 year ended 31 December 2022.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions on Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviation:

The code provision A.2.1 of the Code provides, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company did not have a chairman until 14 February 2022, two executive directors have been appointed as Chairman of the board and chief executive officer respectively.

AUDIT COMMITTEE

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

The audited financial results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Uncertainties Relating to Going Concern

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Directors are aware of the reported loss attributable to the owners of the Company of approximately HK$62,359,000 and had net cash used in operating activities of approximately HK$24,552,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately HK$63,788,000, in which total borrowings amounted to approximately HK$37,781,000, while its cash and cash equivalents amounted to approximately HK$1,161,000 only.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

MANAGEMENT'S AND AUDIT COMMITTEE'S VIEWS ON THE INDEPENDENT AUDITOR'S REPORT

The Directors have given careful consideration to future liquidity and performance of the Group and its available sources. The Directors have taken and are taking certain measures to manage its liquidity needs and to improve its financial position which include but are not limited to:

(i) Developing existing business

The Group's existing business is operating as usual and the Company is using its best endeavours to improve the Group's operating results and cash flow by focusing on the existing distribution business. The Group is in the course of negotiating with suppliers in obtaining additional distributorship with an aim to enhance the product mix and profitability of the Group as a whole. On the other hand, the Group has been actively seeking new business opportunities in supplying its products in a long run.

(ii) Revolving loan from Directors

The Company has entered into a revolving loan agreement with each of the two executive Directors, namely Mr. So David Tat Man and Mr. Liu Chun Fai, respectively, for a total loan facility of HK$20 million in January 2024 which will be used as working capital of the Company, as appropriate.

(iii) Potential fund-raising activities

The Company has proactively explored additional funding such as rights issue, placing of new shares, issue of new shares and/or convertible bonds, depending on the prevailing market conditions and the development of the Group's businesses.

(iv) Repaying outstanding liabilities and collecting account receivables

The Company is actively negotiating with relevant parties and will use its best endeavor to repay the outstanding liabilities. Additionally, the Company has proactively negotiate with relevant parties in relation to the recovering of its other receivables;

(v) Loan capitalisation

The Company is in negotiation with the creditor(s) of the Group in relation to potential capitalisation of the debt. It will not only reduce the debt but will also increase the shareholder base of the Company.

(vi) Exploring business opportunities

The Directors will continue to explore business opportunities and implement stronger measures aiming at improving the working capital and cash flows of the Group, including enhancing the over profitability of the Group by introduction of higher gross profit margin products, closely monitoring the incurrence of operating expenditures and streamlining unnecessary expenditures of the Group.

(vii) Enforcing cost-saving measures

The Company will use its best endeavours to minimise its expenditures including but not limited to administrative expenses as well as operating costs.

Provided that the above measures are successfully implemented and the financial position of the Group is improved, the Directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financial needs. Accordingly, the Consolidated Financial Statements have been prepared on a going concern basis.

The Audit Committee has reviewed the view of and assessment made by the management and based on the detailed plans of the Directors in addressing the going concern and liquidity issue of the Group, the Audit Committee agreed with the management's position concerning the going concern and liquidity issue.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.aplushk.com/clients/8166chinaeco-farming/index.html).

On behalf of the Board
China Eco-Farming Limited
Liu Chun Fai
Chairman & Executive Director

Hong Kong, 31 May 2024

As at the date of this announcement, the executive Directors of the Company are Mr. Liu Chun Fai (Chairman), Mr. Tin Ka Pak, Timmy (Chief Executive Officer), Mr. Li Aiming, and Mr. So David Tat Man; the independent non-executive Directors of the Company are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Siu Yuk Ming.