



# 中國農業生態有限公司

## China Eco-Farming Limited

(Continued into Bermuda with limited liability)  
(Stock Code: 8166)



# 2023

*First Quarterly Report*

## **CHARACTERISTICS OF THE 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 Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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*This report, 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 report 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 report misleading.*

*This report will remain on the Company’s website at <http://www.chinaeco-farming.com> 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, the “Group”) recorded an unaudited revenue of approximately HK\$9,458,000 for the three months ended 31 March 2023, representing an increase of approximately 7.3% as compared with approximately HK\$8,818,000 for the corresponding period in 2022.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2023 was approximately HK\$5,423,000 (three months ended 31 March 2022: HK\$8,229,000). The basic loss per share of the Company for the three months ended 31 March 2023 was HK4.17 cents (three months ended 31 March 2022: HK7.77 cents).

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2023.

## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023 together with the comparative figures for the corresponding period in 2022.

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

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 31 March	
		2023 \$'000	2022 \$'000
Revenue	3		
Goods and services		9,414	8,771
Interest		44	47
		<b>9,458</b>	8,818
Cost of sales		<b>(8,819)</b>	(10,019)
Gross loss		<b>639</b>	(1,201)
Other revenue	3	715	347
Selling and distribution expenses		(70)	(161)
Administrative expenses		(5,265)	(5,014)
Share of result of associates		175	207
Finance costs	4	(908)	(1,519)
(Loss)/gain from changes in fair value of financial asset at fair value through profit or loss		<b>(685)</b>	(1,457)
Loss before taxation		<b>(5,399)</b>	(8,798)
Taxation	5	-	-
Loss for the period		<b>(5,399)</b>	(8,798)

		<b>For the three months ended 31 March</b>	
		<b>2023</b>	2022
		<b>\$'000</b>	\$'000
	<i>Notes</i>		
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		-	-
Exchange differences arising on translation of foreign operation		<b>(2,985)</b>	(183)
Other comprehensive (expense)/income for the period		<b>(2,985)</b>	(183)
Total comprehensive expense for the period		<b>(8,384)</b>	(8,981)
(Loss)/gain for the period attributable to:			
Owners of the Company		<b>(5,423)</b>	(8,229)
Non-controlling interests		<b>24</b>	(569)
		<b>(5,399)</b>	(8,798)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		<b>(6,252)</b>	(8,471)
Non-controlling interests		<b>(2,132)</b>	(510)
		<b>(8,384)</b>	(8,981)
Loss per share			
Basic and diluted ( <i>HK cents</i> )	7	<b>(4.17)</b>	(7.77)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the three months ended 31 March 2023 (Expressed in Hong Kong dollars)*

	Attributable to owners of the Company											
	Share capital	Share premium	Contributed surplus	Investment revaluation reserve	Share option reserve	Translation reserve	Special reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2022</b>	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	-	-	-	-	-	-	-	-	(8,229)	(8,229)	(569)	(8,798)
Other comprehensive income (expense) for the period:												
Fair value change of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating foreign operations	-	-	-	-	-	(242)	-	-	-	(242)	59	(183)
Other comprehensive (expense)/income for the period	-	-	-	-	-	(242)	-	-	-	(242)	59	(183)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(242)	-	-	(8,229)	(8,471)	(510)	(8,981)
<b>At 31 March 2022</b>	1,060	-	650,298	(31,964)	1,800	(1,844)	6,026	(6,321)	(539,252)	79,803	40,396	120,199
<b>At 1 January 2023</b>	1,300	2,820	650,298	(35,899)	1,800	8,976	6,026	(1,766)	(597,937)	35,618	36,316	71,934
Loss/(profit) for the period	-	-	-	-	-	-	-	-	(5,423)	(5,423)	24	(5,399)
Other comprehensive income (expense) for the period:												
Fair value change of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Exchange differences arising on translating foreign operations	-	-	-	-	-	(829)	-	-	-	(829)	(2,156)	(2,985)
Other comprehensive income/(expense) for the period	-	-	-	-	-	(829)	-	-	-	(829)	(2,156)	(2,985)
<b>At 31 March 2023</b>	1,300	2,820	650,298	(35,899)	1,800	8,147	6,026	(1,766)	(603,360)	29,366	34,184	63,550

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organisation and operation

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 have been listed on the GEM of The Stock Exchange of Hong Kong Limited 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 registered office of the Company 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 do not consider any company to be the ultimate holding company or parent company of the Company.

During the three months ended 31 March 2023, 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, distribution business, 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\$.

## 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 three months ended 31 March 2023 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2022 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 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>
Amendments to 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
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>3</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2025.

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 period is as follows:

	<b>For the three months ended 31 March</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
Revenue:		
Distribution business	<b>9,054</b>	7,527
Provision of money lending services (note (i))	<b>44</b>	47
One-stop value chain services	<b>-</b>	1,244
	<b>9,458</b>	8,818
Other revenue (note (ii))	<b>715</b>	347
	<b>10,173</b>	9,165

Notes:

**(i) Provision of money lending services**

Included in interest income from provision of money lending services was interest income of approximately HK\$44,000 for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$47,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an executive director of the Company and resigned on 30 September 2017, for aggregate loan amount of HK\$2,400,000. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares.

**(ii) Other revenue**

	<b>For the three months ended 31 March</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
Loan interest income on other receivables	<b>-</b>	242
Interest income (note (iii))	<b>88</b>	88
Sundry income	<b>627</b>	17
	<b>715</b>	347

**(iii) Interest income**

Included in interest income are approximately HK\$88,000 for the three months ended 31 March 2023 (three months ended 31 March 2022: HK\$88,000), on the loan amount of approximately HK\$2,842,000 granted to Beijing HX on 1 September 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. Finance costs**

	<b>For the three months ended 31 March</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
Interest on borrowings	607	740
Reimbursement of finance costs borne by lenders	-	424
Interest on margin loans payables	119	152
Interest on balancing payment for the acquisition of further interest in subsidiaries	182	192
Interest on lease liabilities	-	11
	<b>908</b>	<b>1,519</b>

**5. Taxation**

	<b>For the three months ended 31 March</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
Current tax	-	-
Deferred tax	-	-
Income tax credit recognised in profit or loss	-	-

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% for both years. No EIT is provided for the three months ended 31 March 2023 and 2022 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 ended 31 March 2023 and 2022 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

#### **6. Dividend**

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2023 (three months ended 31 March 2022: Nil).

#### **7. Loss per share**

The calculation of the basic loss per share for the three months ended 31 March 2023 and 2022 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$5,423,000 (2022: HK\$8,229,000) and the weighted average of 130,001,731 (2022: 105,955,243) ordinary shares of HK\$0.01 (2022: HK\$0.01) each in issue during the three months ended 31 March 2023 and 31 March 2022.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2023 and 31 March 2022. The computation of diluted loss per share does not assume the exercise of Company’s outstanding share options to subscribe for additional shares since their exercise would result in an anti-dilutive effect on the basic loss per share.

#### **8. Comparative figures**

Cost of good sold from consumables and agricultural products segment under the distribution business 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 31 March 2022 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 three months ended 31 March 2023 (the "Reporting Period"), the Group was principally engaged in the business of (i) 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 three months ended 31 March 2023, the Group recorded revenue of approximately HK\$9,458,000 (2022: HK\$8,818,000), representing an increase of approximately 7.3% as compared to that of last corresponding period. Loss for the period attributable to owners of the Company amounted to approximately HK\$5,423,000 (2022: HK\$8,229,000). The basic loss per share of the Company was approximately HK4.17 cents (2022: HK7.77 cents).

#### Property Investment

During the Reporting Period, the property investment segment reported nil revenue (three months ended 31 March 2022: HK\$Nil). No revenue was generated. As at 31 March 2023, the Group held properties in Hong Kong and the PRC for investment purpose amounted to approximately HK\$9,831,000 (31 December 2022: HK\$9,780,000).

#### One-stop Value Chain Services

During the Reporting Period, this business segment reported nil revenue (three months ended 31 March 2022: HK\$1,244,000), representing a decrease of 100%, as compared to the last corresponding period.

#### Distribution business

During the Reporting Period, the business segment reported a revenue of approximately HK\$9,054,000 (three months ended 31 March 2022: HK\$7,527,000), representing an increase of approximately 20.3%, as compared to the last corresponding period.

This business segment is composed of consumables and agricultural products, as well as food and beverages. The consumables and agricultural products include reusable bags and sunflower meal. Due to the slow recovery after the COVID-19 pandemic, the level of economic activities on consumables business is progressively recovering.

For the reusable bag business, the business remain stable and received more orders from customers.

For the food and beverage business, the revenue increase mainly because of the recovery from the COVID-19 in Hong Kong. As more demands are required by the end customers, the Group received more orders from food catering providers.

### **Provision of money lending services**

During the Reporting Period, the Group's money lending services segment reported a revenue of approximately HK\$44,000 (three months ended 31 March 2022: HK\$47,000), representing a decrease of approximately 6.4% as compared with the last corresponding period.

The total outstanding principal amount of the loans granted in Hong Kong (the "HK Loans") as at 31 March 2023 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.

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.

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 March 2023.

### **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\$5,204,000 as at 31 March 2023, representing approximately 3.20% of the Company's total assets (31 December 2022: approximately HK\$6,240,000, representing approximately 3.85% 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 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. None of the securities investments with fair value exceeding HK\$10,000,000 as at 31 March 2023 and 31 December 2022.



## FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$9,458,000 (three months ended 31 March 2022: approximately HK\$8,818,000), representing an increase of approximately 7.3% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$8,819,000 (three months ended 31 March 2022: approximately HK\$10,019,000), representing a decrease of approximately 12.0% as compared with the last corresponding period. The decrease of cost of sales was mainly due to the deconsolidation of Seal Eco, which lead to decrease in factory overheads.

Administrative expenses for the Reporting Period amounted to approximately HK\$5,265,000 (three months ended 31 March 2022: approximately HK\$5,014,000, representing an increase of approximately 5.0% as compared with the last corresponding period. This increase was mainly due to the increase in rental expenses.

Finance costs for the Reporting Period was approximately HK\$908,000 (three months ended 31 March 2022: approximately HK\$1,519,000), representing a decrease of approximately 40.2% as compared with the last corresponding period. This decrease was mainly due to the decrease in outstanding loan principal of the Group.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$5,423,000 (three months ended 31 March 2022: approximately HK\$8,229,000). The basic loss per share of the Company for the Reporting Period was HK4.17 cents (three months ended 31 March 2022: HK7.77 cents).

## Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 31 March 2023, the cash and cash equivalents of the Group was approximately HK\$515,000 (31 December 2022: approximately HK\$1,161,000).

At 31 March 2023, the net assets of the Group was approximately HK\$92,656,000 (31 December 2022: approximately HK\$71,934,000) and the net current liabilities was approximately HK\$66,780,000 (31 December 2022: the net current liabilities approximately HK\$63,788,000).

## Capital Structure

As at 31 March 2023, the Company's issued ordinary share capital was HK\$1,330,017.31 divided into 130,001,731 ordinary shares of HK\$0.01 each ("Share(s)") (31 December 2022: HK\$1,330,017.31 divided into 130,001,731 ordinary shares of HK\$0.01 each ("Share(s)").

## **Fund Raising Activities**

The Group has not conducted any fund raising activities for the period ended 31 March 2023.

## **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 in 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 date of this report, HK\$13,962,302 remained outstanding.

## 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 March 2023, investments held for trading have been pledged to brokers’ account to obtain a margin loan financing of approximately HK\$4,886,000 (31 December 2022: HK\$4,768,000).

Further, the Group had charges on certain investment properties in Hong Kong to obtain term loans from money lenders in Hong Kong of approximately HK\$9,000,000 (31 December 2022: HK\$9,000,000).

Unlisted investments 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 31 March 2023, 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 2022: RMB13,000,000). Since the term loan has not been repaid, the financial guarantee shall continue in force.

### **Capital Commitments**

As at 31 March 2023, the Group had capital commitment amounting to approximately HK\$43,649,000 (31 December 2022: HK\$43,202,000).

### **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 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.

### **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 announcement 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 consented Fuyu to sell the PRC properties on behalf of the Group. As at the date of this report, 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. The Group will continue allocating its resources carefully in different segments as to optimize its investment returns.

**One-stop value chain services**

Since the economy of Hong Kong has been hit hard by the COVID-19 pandemic, financial performances of many companies have been affected and they have minimised their budget on IT related services. The Group also tried to enter into the gaming industry by selling gaming related products to sustain its business during the tough atmosphere, however, the Directors were of the view that it was not so sustainable. As such, the Directors decided to focus on other existing businesses and to expand the depth of their involvement on such business. The one-stop value chain services will be scaled down thereafter.

**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 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 supplying 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 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2023, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

Long position in the underlying shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives) granted under the Share Option Scheme adopted by the Company on 6 May 2011:

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding
				as at 1 January 2023				as at 31 March 2023
So David Tat Man	7 December 2020	0.5506	7 December 2020 – 6 December 2025	935,738	-	-	-	935,738

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed under the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, at no time during the Reporting Period, there subsisted arrangements to which the Company or any of its subsidiaries is a party, being arrangements whose subjects are, or one of whose objects is, to enable any of the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the directors of the Company, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company during the Reporting Period.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 31 March 2023, the following parties, other than the Directors or the chief executive of the Company, had interests or short positions directly or indirectly in the shares and underlying shares of the Company disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

Shareholder	Capacity	Number of Shares	Percentage of issued share capital
A S Investment Holdings Ltd (Note 1)	Beneficial owner	14,135,200	10.87%
Ever Better Holdings Ltd (Note 1)	Interest of controlled corporation	14,135,200	10.87%
Ms. Yeung Sau Han Agnes (Note 1)	Beneficial owner, interest of spouse and interest of controlled corporation	16,167,600	12.44%
Mr. So Chi Ming (Note 1) (Note 2)	Beneficial owner, interest of spouse and interest of controlled corporation	16,167,600	12.44%
VC Brokerage Limited (Note 3)	Beneficial owner	11,300,000	8.69%
VC Financial Group Limited (Note 3)	Interest of controlled corporation	11,300,000	8.69%
Value Convergence Holdings Limited (Note 3)	Beneficial owner and interest of controlled corporation	12,161,600	9.35%

*Notes:*

1. A S Investment Holdings Ltd is wholly-owned by Ever Better Holdings Ltd (“Ever Better”). Ever Better is 50% owned by Ms. Yeung Sau Han Agnes (“Ms. Yeung”) and 50% owned by Mr. So Chi Ming (“Mr. So”). Ms. Yeung is personally interested in 342,000 ordinary shares in the Company. Mr. So is personally interested in 1,190,400 ordinary shares in the Company. Ms. Yeung is the spouse of Mr. So.
2. Mr. So is uncle of Mr. So David Tat Man, an executive director of the Company.
3. VC Brokerage Limited is wholly-owned by VC Financial Group Limited (“VC Financial”). VC Financial is wholly-owned by Value Convergence Holdings Limited (“VC Holdings”). VC Holdings is a company listed on the main board of The Hong Kong Stock Exchange Limited and has an interest of 861,000 shares as beneficial owner.

Save as disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 31 March 2023 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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.

## **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 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 unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2023 have been reviewed by the members of the Audit Committee.

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

Hong Kong, 3 June 2024

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