



中國農業生態有限公司 China Eco-Farming Limited

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



2023

Third Quarterly Report

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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 <https://www.chinaeco-farming.com> and the “Latest Listed Company Information” page of the HKEx website for at least 7 days from the date of its posting.

HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively referred to as the “Group”) recorded an unaudited revenue of approximately HK\$29,332,000 for the nine months ended 30 September 2023 (the “Reporting Period”), representing an increase of approximately 60% as compared with approximately HK\$18,311,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$9,998,000 (nine months ended 30 September 2022: HK\$35,006,000). The basic loss per share of the Company for the nine months ended 30 September 2023 is 7.69 HK cents (nine months ended 30 September 2022: 26.93 HK cents).

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

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2023 together with the comparative figures for the last corresponding periods.

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

(Expressed in Hong Kong dollars)

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|-------|--|----------------|---|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Revenue | 3 | | | | |
| Goods and services | | 10,327 | 3,933 | 29,199 | 18,173 |
| Interest | | 45 | 45 | 133 | 138 |
| | | 10,372 | 3,978 | 29,332 | 18,311 |
| Cost of sales | | (9,913) | (7,169) | (27,639) | (22,669) |
| Gross profit | | 459 | (3,191) | 1,693 | (4,358) |
| Other revenue | 3 | 5,070 | 822 | 6,313 | 1,425 |
| Selling and distribution expenses | | (65) | (131) | (201) | (302) |
| Administrative expenses | | (11,812) | (5,218) | (17,580) | (17,257) |
| Finance costs | 4 | (676) | (1,496) | (2,282) | (5,742) |
| Loss on disposal of Investment properties | | - | (569) | - | (569) |
| Gain/(loss) on disposal of subsidiary | | 20 | (2,321) | 20 | (7,868) |
| Gain on disposal of motor vehicle | | 50 | - | 63 | - |
| Share of results of associates | | 123 | 73 | 535 | 363 |
| Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss | | (213) | 199 | 1,627 | (2,280) |
| Loss before taxation | | (7,044) | (11,832) | (9,812) | (36,588) |
| Taxation | 5 | - | - | - | - |
| Loss for the period | | (7,044) | (11,832) | (9,812) | (36,588) |

| | Notes | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|-------|--|----------------|---|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Loss for the period | | (7,044) | (11,832) | (9,812) | (36,588) |
| Other comprehensive income/ (expense) for the period: | | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on translation of foreign operations | | 3,798 | (3,142) | 2,171 | (9,548) |
| Total comprehensive expense for the period | | (7,796) | (14,974) | (11,983) | (46,136) |
| Gain/(loss) for the period attributable to: | | | | | |
| – Owners of the Company | | (7,298) | (10,808) | (9,998) | (35,006) |
| – Non-controlling interests | | 254 | (1,024) | 186 | (1,582) |
| | | (7,044) | (11,832) | (9,812) | (36,588) |
| Total comprehensive expense for the period attributable to: | | | | | |
| – Owners of the Company | | (6,145) | (13,930) | (10,209) | (41,897) |
| – Non-controlling interests | | (1,651) | (1,044) | (1,774) | (4,239) |
| | | (7,796) | (14,974) | (11,983) | (46,136) |
| GAIN/(LOSS) PER SHARE | 7 | | | | |
| Basic and diluted (<i>HK cents</i>) | | (5.61) | (8.32) | (7.69) | (26.93) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023 (Expressed in Hong Kong dollars)

| | Attributable to owners of the Company | | | | | | | | | | | |
|--|---------------------------------------|---------------|---------------------|---------------------|----------------------|---------------------|-----------------|----------------|--------------------|-----------------|---------------|---------------|
| | Share capital | Share premium | Investment | | | | | Other reserve | Accumulated losses | Non-controlling | | Total |
| | | | Contributed surplus | revaluation reserve | Share option reserve | Translation reserve | Special reserve | | | Total | interests | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| At 1 January 2022 | 1,060 | - | 650,298 | (31,964) | 1,800 | (1,602) | 6,026 | (6,321) | (531,023) | 88,274 | 40,906 | 129,180 |
| Loss/(profit) for the period | - | - | - | - | - | - | - | - | (32,603) | 32,603 | (3,985) | (36,588) |
| Other comprehensive income/(expense) for the period: | | | | | | | | | | | | |
| Exchange difference arising on translating foreign operations | - | - | - | - | - | (9,294) | - | - | - | (9,294) | (254) | (9,548) |
| Other comprehensive (expense)/income for the period | - | - | - | - | - | (9,294) | - | - | - | (9,294) | (254) | (9,548) |
| Rights issue | 240 | 3,607 | - | - | - | - | - | - | - | 3,847 | - | 3,847 |
| Transaction costs attribute to rights issue | - | - | - | - | - | - | - | - | (787) | (787) | - | (787) |
| Disposal of a subsidiary | - | - | - | - | - | (8,024) | - | 1,193 | 11,219 | 4,388 | 1,268 | 5,656 |
| At 30 September 2022 | 1,300 | 3,607 | 650,298 | (31,964) | 1,800 | (18,920) | 6,026 | (5,128) | (553,194) | 53,825 | 37,935 | 91,760 |
| At 1 January 2023 | 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 | - | - | - | - | - | - | - | - | (9,998) | (9,998) | 186 | (9,812) |
| Other comprehensive income/(expense) for the period: | | | | | | | | | | | | |
| Exchange differences arising on translating foreign operations | - | - | - | - | - | (211) | - | - | - | (211) | (1,960) | (2,171) |
| Other comprehensive income for the period | - | - | - | - | - | (211) | - | - | - | (211) | (1,960) | (2,171) |
| Total comprehensive (expense) income for the period | - | - | - | - | - | (211) | - | - | (9,998) | (10,209) | (1,774) | (11,983) |
| At 30 September 2023 | 1,300 | 2,820 | 650,298 | (35,899) | 1,800 | 8,765 | 6,026 | (1,766) | (607,935) | 25,409 | 34,542 | 59,951 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operations

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

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

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

The registered office of the Company is Clarendon House, 2 Church street, Hamilton HM11, Bermuda. The head office and 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 nine months ended 30 September 2023, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of trading 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”) whose functional currencies is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries is HK\$.

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

2. Principal accounting policies and basis of preparation

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

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the nine months ended 30 September 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 ¹ |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ² |
| Amendment to HKFRS 16 | Covid-19-Related Rent Concessions beyond 30 June 2021 ¹ |
| 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) ² |
| 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 16 | Property, Plant and Equipment – Proceeds before Intended Use ¹ |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract ¹ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018-2020 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.

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

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

3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the three months and nine months ended 30 September 2023 is as follows:

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|--|---------------------------------|---|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Revenue: | | | | |
| One-stop value chain services | – | 671 | – | 2,198 |
| Distribution business | 10,327 | 3,262 | 29,199 | 15,975 |
| Provision of money lending services (note (i)) | 45 | 45 | 133 | 138 |
| | 10,372 | 3,978 | 29,332 | 18,311 |
| Other revenue (note (ii)) | 5,070 | 822 | 6,313 | 1,425 |
| | 15,442 | 4,800 | 35,645 | 19,736 |

Notes:

(i) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$133,000 for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$138,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an former executive director of the Company who 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

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|------------------------------|--|---------------------------------|---|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Interest income (note (iii)) | 88 | 246 | 264 | 264 |
| Sundry income | 4,982 | 576 | 6,049 | 1,161 |
| | 5,070 | 822 | 6,313 | 1,425 |

(iii) Interest income

Included in interest income are approximately HK\$264,000 for the nine months ended 30 September 2023 (nine months ended 30 September 2022: HK\$264,000) for the loan amount of approximately HK\$2,842,000 granted to Zhonghe Huaxia (Beijing) Investment Consulting Co. Ltd. ("Beijing HX") on 31 August 2016. The loan was interest-bearing with interest rate of 12% per annum, unsecured and repayable by 31 May 2017. Beijing HX was treated as associate in the consolidated financial statements of the Company until the completion of disposal of its indirect holding company, Konson Global Investments Limited on 22 April 2022.

4. Finance costs

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|---|---|---------------------------------|--|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| Interest on borrowings | 407 | 1,015 | 1,405 | 3,678 |
| Reimbursement of finance costs borne by lenders | – | 100 | – | 922 |
| Interest on margin loan payable | 83 | 116 | 324 | 415 |
| Interest on balancing payment for the acquisition of further interest in subsidiaries | 186 | 149 | 553 | 576 |
| Interest on lease liabilities | – | 7 | – | 42 |
| Other | – | 109 | – | 109 |
| | 676 | 1,496 | 2,282 | 5,742 |

5. Taxation

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|---|---------------------------------|--|---------------------------------|
| | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) | 2023 HK\$'000 (Unaudited) | 2022 HK\$'000 (Unaudited) |
| 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 People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2019. No EIT is provided for the three months and nine months ended 30 September 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 and nine months ended 30 September 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 nine months ended 30 September 2023 (2022: nil).

7. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company during both the three months and nine months ended 30 September 2023 and 2022 is based on the following data.

| | For the three months ended 30 September | | For the nine months ended 30 September | |
|--|--|---------------------|---|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) | 2023 (Unaudited) | 2022 (Unaudited) |
| Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000) | (7,298) | (10,808) | (9,998) | (35,006) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | 130,001,731 | 130,001,731 | 130,001,731 | 130,001,731 |

Diluted gain/(loss) per share is the same as basic gain/(loss) per share for the three months and nine months ended 30 September 2023. The computation of diluted gain/(loss) per share does not assume the exercise of share options to subscribe for additional shares since the exercise of share options would result in an anti-dilutive effect on the basic loss per shares for the three months and nine months ended 30 September 2023.

Diluted gain/(loss) per share is the same as basic gain/(loss) per share for the three months and nine months ended 30 September 2022. The computation of diluted gain/(loss) per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of share options to subscribe for additional shares as at 30 September 2022 since their conversion would result in an anti-dilutive effect on the basic gain/(loss) per share for the three months and nine months ended 30 September 2022.

8. Comparative figures

Cost of good sold from consumables and agricultural products segment under 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 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2023, the Group recorded revenue of approximately HK\$29,332,000 (2022: HK\$18,311,000), representing an increase of approximately 60% as compared to that of last corresponding period. Loss for the period attributable to owners of the Company amounted to approximately HK\$9,998,000 (2022: HK\$35,006,000). The basic loss per share of the Company was approximately HK7.69 cents (2022: HK26.93 cents).

Property Investment

During the Reporting Period, the property investment segment reported nil revenue (nine months ended 30 September 2022: HK\$Nil). No revenue was generated. As at 30 September 2023, the Group did not hold properties in Hong Kong and the PRC for investment purpose (31 December 2022: HK\$9,780,000).

One-stop Value Chain Services

During the Reporting Period, this business segment reported nil revenue (nine months ended 30 September 2022: HK\$2,198,000) representing a decrease of 100% as compared with the last corresponding period.

Distribution business

During the Reporting Period, the business segment reported a revenue of approximately HK\$29,199,000 (nine months ended 30 September 2022: HK\$15,975,000), representing an increase of approximately 83% as compared with 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, this segment reported a revenue of approximately HK\$133,000 (nine months ended 30 September 2022: HK\$138,000), representing a decrease of approximately 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 30 September 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 30 September 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\$3,744,000 as at 30 September 2023, representing approximately 2.95% 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 30 September 2023 and 31 December 2022.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$29,332,000 (nine months ended 30 September 2022: HK\$18,311,000), representing an increase of approximately 60% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$27,639,000 (nine months ended 30 September 2022: HK\$22,669,000), representing an increase of approximately 22% as compared with the last corresponding period. The increase was mainly due to the increase in the distribution business.

Administrative expenses for the Reporting Period amounted to approximately HK\$17,580,000 (nine months ended 30 September 2022: HK\$17,257,000), representing an increase of approximately 2% as compared with the last corresponding period. This slight increase was mainly due to increase in rental expense.

Finance costs for the Reporting Period was approximately HK\$2,282,000 (nine months ended 30 September 2022: HK\$5,742,000), representing a decrease of approximately 60% as compared with the last corresponding period. The 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\$9,998,000 (nine months ended 30 September 2022: HK\$35,006,000). The basic loss per share of the Company for the Reporting Period is 7.69 HK cents (nine months ended 30 September 2022: 26.93 HK cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 September 2023, the bank balances and cash of the Group was approximately HK\$841,000 (31 December 2022: approximately HK\$1,161,000).

At 30 September 2023, the net assets of the Group was approximately HK\$59,950,000 (31 December 2022: HK\$71,934,000) and the net current liabilities was approximately HK\$59,945,000 (31 December 2022: the net current liabilities approximately HK\$63,788,000).

Capital Structure

As at 30 September 2023, the Company's issued ordinary share capital with an aggregate nominal value of HK\$1,300,017.31 is divided into 130,001,731 ordinary shares of HK\$0.01 each ("Shares") (31 December 2022: HK\$1,300,017.31 divided into 130,001,731 Shares).

Fund Raising Activities

The Group has not conducted any fund raising activities for the period ended 30 September 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, the amount of HK\$139,962,302 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 30 September 2023, investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$2,546,000 (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 30 September 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 30 September 2023, the Group had capital commitment amounting to approximately HK\$41,570,000 (31 December 2022: HK\$43,202,000).

Exposure to Fluctuations in Exchange Rates

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

Events after the Reporting Period

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 30 September 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 which lapsed on 5 May 2021:

| 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 30 September 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 30 September 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 for 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 30 September 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 except for the following deviation from 20 July 2023 to 26 March 2024:

Note of provision A.3 of the CG Code prescribed, among others, the board should include a balanced composition of executive and non-executive directors (including independent nonexecutive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgement. During 20 July 2023 to 26 March 2024, the Company did not have least three independent non-executive directors in the Board. On 26 March 2024, the Company has appointed an independent non-executive director and was complied the applicable code provision.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

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

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

Hong Kong, 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; the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Siu Yuk Ming.