



(Continued into Bermuda with limited liability)

(Stock Code: 8166)

**AUDITED ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

CHARACTERISTICS OF THE GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

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

FINANCIAL HIGHLIGHTS

The Company and its subsidiaries (collectively, the “Group”) recorded revenue of approximately HK\$48,952,000 for the year ended 31 December 2023, representing an increase of approximately 87.3% as compared with approximately HK\$26,134,000 for the last year.

The loss for the year attributable to owners of the Company for the year ended 31 December 2023 was approximately HK\$20,560,000 (2022: HK\$62,359,000). The basic loss per share of the Company for the year ended 31 December 2023 was approximately HK15.82 cents (2022: HK51.52 cents).

The board of directors of the Company (the “Board”) does not recommend the payment of a final dividend for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Revenue			
Goods and services	4	46,350	25,811
Interest under effective interest method		2,602	323
		<hr/>	<hr/>
Total revenue		48,952	26,134
Cost of sales		(40,999)	(30,328)
		<hr/>	<hr/>
Gross profit (loss)		7,953	(4,194)
Other income, gains or losses, net		2,430	2,668
Impairment losses reversed (recognised) under expected credit loss model, net		3,209	(7,479)
Loss from changes in fair value of investment properties, net		–	(1,697)
Gain (loss) from changes in fair value of financial assets at fair value through profit or loss		1,685	(1,930)
Gain on deconsolidation of subsidiaries		–	3,982
Gain (loss) on disposal of subsidiaries, net		7,358	(5,305)
Gain on written-off of current account, net		–	9,952
Loss on settlement of deposits paid		(24,878)	–
Impairment loss recognised on deposits paid		(2,403)	(7,219)
Gain on settlement of other receivables		8,912	–
Selling and distribution expenses		(311)	(370)
Administrative expenses		(17,770)	(47,516)
Share of results of associates		(3,453)	(6,326)
Finance costs	5	(2,962)	(4,272)
		<hr/>	<hr/>
Loss before tax		(20,230)	(69,706)
Income tax credit	6	26	948
		<hr/>	<hr/>
Loss for the year	7	(20,204)	(68,758)
		<hr/>	<hr/>

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Other comprehensive (expense) income:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		<u>(2,802)</u>	<u>(3,935)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		1,551	7,513
Release of cumulative exchange reserve upon deregistration/ deconsolidation/disposal of foreign operations		<u>(163)</u>	<u>2,677</u>
		<u>1,388</u>	<u>10,190</u>
Other comprehensive (expense) income for the year, net of income tax		<u>(1,414)</u>	<u>6,255</u>
Total comprehensive expense for the year		<u><u>(21,618)</u></u>	<u><u>(62,503)</u></u>
Loss for the year attributable to:			
Owners of the Company		(20,560)	(62,359)
Non-controlling interests		<u>356</u>	<u>(6,399)</u>
		<u><u>(20,204)</u></u>	<u><u>(68,758)</u></u>
Total comprehensive expense for the year attributable to:			
Owners of the Company		(21,829)	(55,716)
Non-controlling interests		<u>211</u>	<u>(6,787)</u>
		<u><u>(21,618)</u></u>	<u><u>(62,503)</u></u>
Loss per share:			
Basic and diluted (<i>HK cents</i>)	9	<u><u>(15.82)</u></u>	<u><u>(51.52)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Plant and equipment		212	112
Investment properties		–	9,780
Goodwill		–	–
Intangible asset		758	758
Interests in associates		20,358	23,811
Equity instruments at fair value through other comprehensive income		–	2,865
Deposits paid		62,357	98,396
		<u>83,685</u>	<u>135,722</u>
CURRENT ASSETS			
Inventories		2,612	–
Trade and other receivables	10	34,767	19,860
Loan and interest receivables		–	1,328
Financial assets at fair value through profit or loss		473	3,375
Restricted bank balance		629	649
Cash and cash equivalents		1,616	1,161
		<u>40,097</u>	<u>26,373</u>
CURRENT LIABILITIES			
Trade and other payables	11	35,330	40,096
Contract liabilities		1,103	4,243
Amounts due to non-controlling interests		2,745	2,745
Borrowings		31,937	37,781
Margin loans payables		2,065	4,768
Financial guarantee contract		–	141
Income tax payable		284	387
		<u>73,464</u>	<u>90,161</u>
NET CURRENT LIABILITIES		<u>(33,367)</u>	<u>(63,788)</u>
NET ASSETS		<u>50,318</u>	<u>71,934</u>
CAPITAL AND RESERVES			
Share capital		1,300	1,300
Reserves		12,503	34,318
Equity attributable to owners of the Company		13,803	35,618
Non-controlling interests		36,515	36,316
TOTAL EQUITY		<u>50,318</u>	<u>71,934</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

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

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

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standards (“HKAS”) 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impacts on application of Amendments to HKAS 8 Definition of Accounting Estimates

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
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 ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

Except for the amendments to HKFRSs mentioned in the consolidated financial statements, the Directors anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

During the year ended 31 December 2023, the Group reported a loss attributable to owners of the Company of approximately HK\$20,560,000 and had approximately HK\$10,795,000 net cash used in operating activities and, as of 31 December 2023, the Group’s current liabilities exceeded its current assets by approximately HK\$33,367,000, in which its total borrowings amounted to approximately HK\$31,937,000, while its cash and cash equivalents amounted to approximately HK\$1,616,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group’s ability to continue as a going concern.

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

- (a) the Company is developing its existing business by, including but not limited to, expanding the product mix and its number of suppliers and customers of the Group;
- (b) the Company has entered into a revolving loan agreement with each of the two executive Directors, namely Mr. So David Tat Man and Mr. Liu Chun Fai, respectively, for a total loan facility of HK\$20 million in January 2024 which will be used as working capital of the Company, as appropriate;
- (c) the Company has proactively explored additional funding such as rights issue, placing of new shares, issue of new shares and/or convertible bonds, depending on the prevailing market conditions and the development of the Group’s businesses;
- (d) the Company is actively negotiating with relevant parties and will use its best endeavor to repay the outstanding liabilities. Additionally, the Company has proactively negotiate with relevant parties in relation to the recovering of its other receivables;
- (e) The Company is in negotiation with the creditor(s) of the Group in relation to potential capitalisation of the debt. It will not only reduce the debt but will also increase the shareholder base of the Company;
- (f) the Directors will continue to explore business opportunities and implement stronger measures aiming at improving the working capital and cash flows of the Group, including enhancing the over profitability of the Group by introduction of higher gross profit margin products, closely monitoring the incurrence of operating expenditures and streamlining unnecessary expenditures of the Group; and
- (g) The Company will use its best endeavours to minimise its expenditures including but not limited to administrative expenses as well as operating costs.

The Directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2023. Accordingly, the Directors are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2023 on a going concern basis. The consolidated financial statements do not provide for further liabilities which might arise, and do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Segment revenue	
	2023	2022
	HK\$'000	HK\$'000
One-stop value chain services	–	2,198
Distribution business		
– Reusable bags	4,221	2,716
– Recycle plastics	–	10,389
– Ramen and udon	–	793
– Sunflower meal	20,833	–
– Frozen foods, seafood and others	21,296	9,715
	46,350	23,613
Revenue from contracts with customers	46,350	25,811
Interest under effective interest method	2,602	323
Total revenue	48,952	26,134

5. FINANCE COSTS

	2023	2022
	HK\$'000	HK\$'000
Interest on borrowings	1,841	2,615
Reimbursement of finance costs borne by lenders	–	76
Interest on lease liabilities	–	21
Interest on margin loans payables	380	533
Interest on balancing payment for the acquisition of further interest in subsidiaries	740	747
Others	1	280
	2,962	4,272

6. INCOME TAX (CREDIT) EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current tax	–	5
– Over-provision in prior years	(26)	–
PRC Land Appreciation Tax	–	353
	<u>(26)</u>	<u>358</u>
Deferred tax	–	(1,306)
	<u>(26)</u>	<u>(948)</u>

7. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Directors' emoluments	3,439	4,062
Other staff costs (excluding directors' emoluments):		
– Salaries and other benefits	4,003	8,049
– Retirement benefits scheme contributions	246	687
Total staff costs (<i>Note (a)</i>)	<u>7,688</u>	<u>12,798</u>
Auditor's remuneration:		
– Audit services	1,200	1,337
Cost of inventories recognised as an expense	40,999	21,029
Depreciation of plant and equipment (<i>Note (b)</i>)	72	375
Depreciation of right-of-use assets (<i>Note (c)</i>)	–	382
Loss on written-off of other receivables	–	242
	<u>–</u>	<u>242</u>

Notes:

- (a) Staff costs amounted to approximately HK\$Nil (2022: HK\$2,100,000) and HK\$7,688,000 (2022: HK\$10,698,000) have been included in cost of sales and administrative expenses respectively.
- (b) Depreciation of plant and equipment amounted to approximately HK\$Nil (2022: HK\$7,000) and HK\$72,000 (2022: HK\$368,000) have been included in cost of sales and administrative expenses respectively.
- (c) Depreciation of right-of-use assets amounted to approximately HK\$Nil (2022: HK\$382,000) has been included in administrative expenses.

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

9. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(20,560)</u>	<u>(62,359)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>130,001,731</u>	<u>121,047,026</u>

For the years ended 31 December 2023 and 2022, the computation of diluted loss per share does not assume the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for the years ended 31 December 2023 and 2022.

10. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables arise from contracts with customers (<i>Note</i>)	12,601	19,190
Less: Allowance for credit losses	<u>(1,467)</u>	<u>(13,312)</u>
	<u>11,134</u>	<u>5,878</u>
Prepayments to suppliers	<u>1,119</u>	<u>4,166</u>
Deposits	24	40
Other receivables	<u>46,031</u>	<u>24,694</u>
	<u>46,055</u>	<u>24,734</u>
Less: Allowance for credit losses	<u>(23,541)</u>	<u>(14,918)</u>
	<u>22,514</u>	<u>9,816</u>
	<u>34,767</u>	<u>19,860</u>

Note:

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	10,896	5,298
31 to 90 days	–	563
Over 90 days	238	17
	<u>11,134</u>	<u>5,878</u>

11. TRADE AND OTHER PAYABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables	9,126	9,853
Other payables	26,204	30,243
	<u>35,330</u>	<u>40,096</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	5,067	3,114
31 to 90 days	500	2,739
Over 90 days to 1 year	3,559	1
Over 1 year	–	3,999
	<u>9,126</u>	<u>9,853</u>

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023 which has included a disclaimer of opinion:

Disclaimer of opinion

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

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

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

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

During the years ended 31 December 2022 and 31 December 2023, Mr. Tin did not use the proceeds to settle the taxation issue as mentioned above and has not even repaid the amount received of RMB1,125,000 to the Group. Therefore, as at 31 December 2022 and 31 December 2023, the amount due from Mr. Tin was RMB1,125,000, further details are set out in Note 25(c)(ii) to the consolidated financial statements.

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

Any adjustments found to be necessary to the above matters might have significant consequential effects on the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2022, the consolidated financial position of the Group as at 31 December 2022 and 31 December 2023 and the related disclosures thereof in the consolidated financial statements.

2. *Limitation of scope on deconsolidation of Seal Eco Advance Limited (“Seal Eco”) and its subsidiary (collectively referred as the “Deconsolidated Subsidiaries”) and disposals of King Health International Holdings Limited (“King Health”) and King Noble Holdings Limited (“King Noble”)*

As disclosed in Note 42 to the consolidated financial statements, a winding-up order was made by the High Court against Seal Eco at the hearing of the Petition on 16 November 2022 (the “Deconsolidation Date”). The Official Receiver of Hong Kong and the joint and several provisional liquidators were appointed pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The books and records of the Deconsolidated Subsidiaries were kept and maintained by the bankruptcy administrator, which were not made available to the Group’s management subsequent to the Deconsolidation Date. Consequently, the Group had deconsolidated the Deconsolidated Subsidiaries (the “Deconsolidation”) as the directors of the Company (the “Directors”) considered that as the Group no longer had the power to govern the financial and operating policies of the Deconsolidated Subsidiaries, the Group’s control over the Deconsolidated Subsidiaries had been lost on the Deconsolidation Date.

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

- (i) the existence, rights and obligations, completeness, accuracy, valuation and classification of its total assets of approximately HK\$5,987,000, total liabilities of approximately HK\$14,629,000 and the cumulative translation reserve of approximately HK\$2,677,000 as at the Deconsolidation Date;
- (ii) its loss and total comprehensive expenses for the period of approximately HK\$22,915,000 and HK\$25,086,000, respectively for the period from 1 January 2022 to the Deconsolidation Date;
- (iii) the segment information of distribution business and other related disclosure notes in relation to the Deconsolidated Subsidiaries, as included in the consolidated financial statements of the Group for the year ended 31 December 2022; and
- (iv) the accuracy of the gain on deconsolidation of subsidiaries of approximately HK\$3,982,000, as included in the profit or loss of the Group for the year ended 31 December 2022.

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

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

Income and expenses of the Deconsolidated Subsidiaries:

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

Assets and liabilities of the Deconsolidated Subsidiaries:

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

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

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

Any adjustments found to be necessary to the above matter might have significant consequential effects on the consolidated financial performance and consolidated cash flows of the Group for the year ended 31 December 2022, the consolidated financial position of the Group as at 31 December 2022 and the related disclosures thereof in the consolidated financial statements. Our opinion on the consolidated financial statements for the year ended 31 December 2023 was modified because of the possible effect of this matter on the comparability of the related current year figures and corresponding figures in the consolidated statement of profit or loss and other comprehensive income.

As disclosed in Notes 43(a)(iii) and 43(a)(iv) to the consolidated financial statements, during the year ended 31 December 2023, the Group has disposed of the entire share capital of King Health and King Noble.

However, as explained above, we were not provided with sufficient appropriate audit evidence in respect of other payables in aggregate of HK\$2,173,000 due to the Deconsolidated Subsidiaries from King Health and King Noble, on the respective dates of disposals of King Health and King Noble. Consequently, we could not ascertain the net liabilities of King Health and King Noble on the respective dates of disposals, and hence, we could not ascertain whether the gains on disposals of HK\$4,239,000 and HK\$2,063,000, respectively, are fairly stated, for the year ended 31 December 2023.

Any adjustments found to be necessary to the above amounts would affect the amounts recorded in the consolidated statements of profit or loss and other comprehensive income in respect of King Health and King Noble for the period from 1 January 2023 to the respective dates of disposals and statements of financial position in respect of the King Health and King Noble at the respective dates of disposals, with a corresponding effect on the gain on disposal of subsidiaries for the year ended 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

3. *Multiple fundamental uncertainties relating to going concern*

As described in Note 3.1 to the consolidated financial statements, the Group reported loss attributable to the owners of the Company of approximately HK\$20,560,000 and had net cash used in operating activities of approximately HK\$10,795,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK\$33,367,000, in which its total borrowings amounted to approximately HK\$31,937,000, while its cash and cash equivalents amounted to approximately HK\$1,616,000 only.

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the year ended 31 December 2023, the Company and its subsidiaries (collectively, the “Group”) was principally engaged in (i) the business of one-stop value chain services, (ii) property investment, (iii) distribution business, (iv) provision of money lending services, and (v) provision of financial services.

During the year ended 31 December 2023, the Group recorded revenue of approximately HK\$48,952,000 (2022: HK\$26,134,000), representing an increase of approximately 87.3% as compared to that of last year. Loss for the year attributable to owners of the Company amounted to approximately HK\$20,560,000 (2022: HK\$62,359,000). The basic loss per share of the Company was approximately HK15.82 cents (2022 HK51.52 cents).

Property Investment

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

One-stop Value Chain Services

During the year ended 31 December 2023, the one-stop value chain services segment reported nil revenue (2022: HK\$2,198,000), representing a decrease of 100%, as compared to that of last year.

Distribution business

During the year ended 31 December 2023, this business segment reported a revenue of approximately HK\$46,350,000 (2022: HK\$23,613,000), representing an increase of approximately 96.3%, as compared to the last year.

This business segment is composed of consumables and agricultural products, as well as food and beverages. The consumables and agricultural products include reusable bags and sunflower meal.

For the reusable bag business, the revenue increased as it received more orders from customers.

For the food and beverage business, the revenue increased mainly because of the continued effort spent by the directors to expand its customer base. 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 year ended 31 December 2023, the Group’s money lending services segment reported a revenue of approximately HK\$2,602,000 (2022: HK\$323,000), representing an increase of approximately 705.6% as compared with the last year.

Major terms of loans granted

The total outstanding principal amount of the loan granted in Hong Kong (the “HK Loan”) as at 31 December 2023 was HK\$2.2 million bearing interest at the rate of 8%, originally maturing on before 31 December 2016, with unlisted shares as collaterals.

As at 31 December 2023, the loan and interest receivables in relation to the HK Loans (the “HK Loan Receivables”) amounted to nil and an allowance for credit losses of the HK Loan Receivables amounted to approximately HK\$2.2 million.

During the year ended 31 December 2023, the Group has granted loans to 3 individuals in the PRC (the “PRC Loans”) with an aggregated principal amount of RMB12.4 million. The PRC Loans are unsecured and bear interest at the rate of 5% per annum with a term of 12 months.

As at 31 December 2023, the net of the PRC Loans (the “PRC Loan Receivables”) amounted to approximately RMB8.1 million and an allowance for credit losses of the PRC Loan Receivables amounted to approximately RMB4.4 million.

Accordingly, the aggregate of the outstanding principal amount of the HK Loans and the PRC Loans amounted to HK\$15.8 million as at 31 December 2023.

Details of PRC Loans

Borrower	Balance as at 31.12.2023		
	Principal as at 31.12.2023 <i>RMB</i>	Allowance for credit losses as at 31.12.2023 <i>RMB</i>	Net as at 31.12.2023 <i>RMB</i>
Individual 1 – PRC resident	3,900,000	1,371,000	2,529,000
Individual 2 – PRC resident	3,000,000	1,055,000	1,945,000
Individual 3 – PRC resident	5,510,000	1,933,000	3,577,000
	<u>12,410,000</u>	<u>4,359,000</u>	<u>8,051,000</u>

Loan impairments

The Company appointed valuer to ascertain the value for the expected credit loss of the loans for the year ended 31 December 2023.

The impairment assessment was prepared on the basis of Expected Credit Loss in accordance with “HKFRS 9 – Financial Instruments”. The HKFRS 9 outlines a “Three-stage” general approach (the “General Approach”) for impairment based on changes in credit quality since initial recognition. To determine the amount of impairment, the valuer discussed with the management on the credit risk level on the status of the loans, and split the receivables into different stage of default and then by applying the Standard ECL Formula (i.e. expected credit loss = exposure at default (“EAD”) × probability of default (“PD”) × loss given default (“LGD”) × discount factor) to come up with the allowance for credit losses.

As at 31 December 2023, an impairment loss of the HK Loan Receivables and PRC Loan Receivables of approximately HK\$7.0 million was recognised (2022: impairment loss of the Total Loan Receivables of approximately HK\$16.9 million). The decrease was mainly attributable to the decrease in outstanding principal amount of the HK Loans and the PRC Loans.

Internal control system

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

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

Internal control procedures (“Internal Control Procedures”)

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

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

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

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

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

Provision of financial services

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

Securities investments

The Group had equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss in aggregate of approximately HK\$473,000 as at 31 December 2023, representing approximately 0.38% of the Company's total assets (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.

Environmental Policies and Performance

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

Compliance with the Relevant Laws and Regulations

The Group's main business and operation work within common trade practice environment and the Group endeavours to comply with all legal and regulatory requirements. In relation to the human resources, the Group is committed to comply with the requirements of the applicable laws and regulations, such as the Employment Ordinance, ordinances in relation to discrimination, the Privacy Ordinance and the Minimum Wage Ordinance. The Group also values good conduct of the employees and has set out clear guidelines to prevent bribery and to regulate the acceptance of benefits by the employees. On the corporate level, the Group continuously complies with the requirements under the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Ordinance ("SFO"), such as disclosure of interests, corporate governance, Model Code for Securities Transactions by Directors of the Listed Issuers and "Inside Information" disclosure. The Group employs legal and financial advisers when undergoing acquisitions or other corporate exercises. During the year ended 31 December 2023, there was no material breach of or non-compliance with the applicable laws and rules by the Group.

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

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded a revenue of approximately HK\$48,952,000 (2022: HK\$26,134,000), representing an increase of approximately 87.3% as compared to that of last year.

Cost of sales for the year under review was approximately HK\$40,999,000 (2022: HK\$30,328,000), representing an increase of approximately 35.2% as compared to that of last year. The increase of cost of sales was mainly due to the increase in the distribution business.

Administrative expenses for the year under review was approximately HK\$17,770,000 (2022: HK\$47,516,000), representing a decrease of approximately 62.6% as compared to that of last year. The decrease was mainly attributable to the decrease in staff cost, entertainment cost and professional fee.

Finance costs for the year under review was approximately HK\$2,962,000 (2022: HK\$4,272,000), representing a decrease of approximately 30.7% as compared to that of last year. The decrease was mainly due to the decrease in outstanding loan principal.

The Group recorded a loss for the year attributable to owners of the Company in the amount of approximately HK\$20,560,000 (2022: HK\$62,359,000). Basic loss per share of the Company decrease from HK51.52 cents for the year ended 31 December 2022 to HK15.82 cents for the year ended 31 December 2023.

Liquidity and Financial Resources

The Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. At 31 December 2023, the bank balances and cash of the Group was approximately HK\$1,616,000 (2022: HK\$1,161,000).

At 31 December 2023, the net assets of the Group was approximately HK\$50,318,000 (2022: HK\$71,934,000) and the net current liabilities was approximately HK\$33,367,000 (2022: HK\$63,788,000).

Gearing Ratio

At 31 December 2023, the total liabilities of the Group amounted to approximately HK\$73,464,000 (2022: HK\$90,161,000), which mainly comprised of trade and other payables, contract liabilities, borrowings, margin loans payables, financial guarantee contract, amounts due to non-controlling interests and income tax payable. These liabilities are denominated in Hong Kong dollars, Renminbi and United State Dollars.

At 31 December 2023, the Group had total assets of approximately HK\$123,782,000 (2022: HK\$162,095,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, turned to 0.59 as at 31 December 2023 (2022: 0.56).

Segmental Information

An analysis of the Group's performance for the year ended 31 December 2023 by business segment is set out in note 6 to the consolidated financial statements.

Employees and Remuneration Policies

As at 31 December 2023, the Group had 34 (2022: 21) total number of full-time employees. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2023 were approximately HK\$7,688,000 in total (2022: HK\$12,798,000). The Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

Capital Structure

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

Significant Investments, Acquisitions and Disposal of investment properties

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

On 17 July 2017, Yardley Wealth Management Limited ("YWML") and Skyline Top Limited ("STL"), a wholly-owned subsidiary of the Company, entered into an agreement 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. As at the date of this announcement, this transaction has been completed.

Disposal of subsidiaries

On 26 July 2023, the Company as vendor, entered into a sale and purchase agreement with the purchaser, an independent third party, pursuant to which the Company has agreed to sell to the purchaser, and the purchaser has agreed to purchase from Joy Gold the entire issued share capital of China Agricultural Finance Group Limited (“CAFG”) which was wholly-owned by the Company, at the Consideration of HK\$20,000. CAFG is the sole legal and beneficial owner of entire portfolio of issued ordinary shares in China AF Capital Limited, China AF Investment Limited, Philippines Investment Holdings Limited and China-Philippines Human Resources Services Limited respectively. The disposal was completed on 26 July 2023.

On 31 August 2023, Joy Gold Trading Enterprises Limited (“Joy Gold”) as vendor, a wholly-owned subsidiary of the Company, has agreed to sell to the purchaser, an independent third party, and the purchaser has agreed to purchase from Joy Gold the entire issued share capital of King Health International Holdings Limited which was wholly-owned by Joy Gold, at the Consideration of HK\$1. The disposal was completed on 31 August 2023.

On 31 August 2023, YIHE Enterprises Holdings Limited (“YIHE”) as vendor, a wholly-owned subsidiary of the Company, has agreed to sell to the purchaser, an independent third party, and the purchaser has agreed to purchase from YIHE the entire issued share capital of Huge Famous Corporation Limited which was wholly-owned by YIHE, at the Consideration of HK\$10,000. The disposal was completed on 31 August 2023.

On 20 December 2023, Skyline Top Limited (“Skyline Top”) as vendor, a wholly-owned subsidiary of the Company, has agreed to sell to the purchaser, an independent third party, and the purchaser has agreed to purchase from Skyline Top the entire issued share capital of King Noble Holdings Limited which was wholly-owned by Skyline Top, at the Consideration of HK\$1. The disposal was completed on 20 December 2023.

Disposal of an investment property

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

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

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

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

Disposal of partial of PRC properties

On 3 November 2023 and 30 December 2023, Fuyu Zhonghe Xinnong Market Real Estate Co., Ltd* (“Fuyu”), an ex-indirect associate of the Company and being the property developer of the PRC properties, entered into two sale and purchase agreements with two independent third parties to dispose of certain PRC properties at the consideration of RMB4,250,000 (“Disposal I”) and RMB3,500,000 (“Disposal II”) respectively in which the Board had approved and consent Fuyu to sell the PRC properties on behalf of the Group. As at the date of this announcement, the Disposal I and Disposal II have been completed.

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 dated 26 March 2024, the responsibility of both Plaintiff and Shengshi Fuqiang has been upheld.

Charges on Group's Assets

As at 31 December 2023, the listed equity investments listed in Hong Kong with the fair value of approximately HK\$137,000 (2022: HK\$2,161,000) have been pledged to financial institutions to secure the margin loans payables of approximately HK\$2,065,000 (2022: HK\$4,768,000).

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

Contingent Liabilities and Guarantee

At 31 December 2022, the financial guarantee provided to Gold Wide Holdings Limited by the Group, which is classified as an interest in associate in the consolidated financial statements of the Group, for a term loan with a principal amount of RMB13 million, bearing interest of 8% per annum for a period of three years up to 14 January 2022 (2022: RMB13 million). Since the term loan has been fully settled during year ended 31 December 2023, the financial guarantee shall be discharged accordingly.

Capital Commitments

At 31 December 2023, the Group had capital commitment amounting to approximately HK\$55,966,000 (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 United State Dollars or New Taiwan dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

Events after the Reporting Period

There were no other significant events arising subsequent to the year ended 31 December 2023 and as at the date of this announcement.

OUTLOOK AND PROSPECTS

The Hong Kong economy has been stable and is expected to be improved in 2024 led by the 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, many companies have minimised their budget on IT related services. The Group tried to enter into the gaming industry by selling gaming related products to sustain its business, 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.

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. After disposal of investments portfolio in 2023, the Group has no plan to make any acquisition in the near future.

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 still 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 over a couple of years. The Directors have scaled down the financial services business and reallocated resources from the financial services to develop other businesses that the Group expected to have a brighter prospect.

COMPETING INTERESTS

None of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the year ended 31 December 2023.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2023 (2022: Nil).

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Following the resignation of Ms. Yuen Wai Man ("Ms. Yuen"), an independent non-executive director of the Company on 19 July 2023:

- (i) total number of independent non-executive Directors accounts for less than three and hence the Company fails to meet the requirement of Rule 5.05(1) of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules");

- (ii) the number of members of the audit committee of the Company will fall below the minimum number required under Rule 5.28 of the GEM Listing Rules; and
- (iii) Pursuant to GEM Listing Rule 17.104 and FAQ Series 17 No. 19F(1), the nomination committee (or the board) shall have a policy concerning diversity of board members. While diversity of board members can be achieved through consideration of a number of factors, the Stock Exchange will not consider diversity to be achieved for a single gender board. Where an issuer who already has directors of both genders on board on or after 1 January 2022, but subsequently at any time has failed to meet any of the other requirements in the Rule, it must (i) immediately publish an announcement containing the relevant details and reasons and (ii) appoint appropriate members to the board to meet the requirement(s) within three months after failing meeting such requirement(s). Following Ms. Yuen's resignation, the Company maintains a single gender board. As a result, the Company is not in compliance with GEM Listing Rule 17.104.

On 26 March 2024, Ms. Siu Yuk Ming was appointed as independent non-executive director of the Company. Following Ms. Siu's appointment, the Company has re-complied with the relevant GEM Listing Rules.

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 risk management and internal control systems of the Group. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Siu Yuk Ming, Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min. Ms. Siu Yuk Ming is the chairman of the Audit Committee.

The audited financial results of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Uncertainties Relating to Going Concern

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects. The Directors are aware of the reported loss attributable to the owners of the Company of approximately HK\$20,560,000 and had net cash used in operating activities of approximately HK\$10,795,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by approximately HK\$33,367,000, in which total borrowings amounted to approximately HK\$31,937,000, while its cash and cash equivalents amounted to approximately HK\$1,616,000 only.

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

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

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

(i) Developing existing business

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

(ii) Revolving loan from Directors

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

(iii) Potential fund-raising activities

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

(iv) Repaying outstanding liabilities and collecting account receivables

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

(v) Loan capitalisation

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

(vi) Exploring business opportunities

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

(vii) Enforcing cost-saving measures

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

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (<http://www.hkex.com.hk>) and the website of the Company (<https://www.chinaeco-farming.com/>).

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

Hong Kong, 12 July 2024

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

* *English name for identification only*