



中國農業生態有限公司
China Eco-Farming Limited

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



2018

Interim Report



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

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

This report will remain on the Company’s website at <http://www.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.



HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively referred to as the “Group”) recorded an unaudited revenue of approximately HK\$35,747,000 for the six months ended 30 June 2018 (the “Reporting Period”), representing an increase of approximately 17.5% as compared with approximately HK\$30,420,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$18,215,000 (six months ended 30 June 2017: HK\$40,096,000). The basic loss per share of the Company for the six months ended 30 June 2018 is 0.27 HK cents (six months ended 30 June 2017: 0.67 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 INTERIM RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2018 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 June		For the six months ended 30 June	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	3	16,854	14,971	35,747	30,420
Cost of sales		(10,691)	(11,692)	(24,473)	(23,677)
Gross profit		6,163	3,279	11,274	6,743
Other revenue	3	2,094	558	3,415	644
Selling and distribution expenses		(234)	(344)	(532)	(746)
Administrative expenses		(13,034)	(13,909)	(23,468)	(29,062)
Finance costs	5	(1,783)	(2,222)	(5,499)	(4,891)
(Loss)/Gain on disposal of financial assets at fair value through profit or loss		1,323	7	1,284	(7,543)
Gain on disposal of plant and equipment		-	224	-	224
Loss on disposal of interest in a subsidiary		-	(764)	-	(764)
Share of results of associates		(1,498)	1,246	32	1,465
Decrease in fair value of financial assets at fair value through profit or loss		(10,218)	(2,297)	(3,958)	(8,468)
Loss before taxation		(17,187)	(14,222)	(17,452)	(42,398)
Taxation	6	-	(51)	(158)	2,028
Loss for the period	7	(17,187)	(14,273)	(17,610)	(40,370)




	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Loss for the period		(17,187)	(14,273)	(17,610)	(40,370)
Other comprehensive income (expense) for the period:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value change of available-for-sale investments		401	(2,140)	(268)	(2,944)
Exchange differences arising on translation of foreign operations		4,368	313	3,196	261
Total comprehensive expense for the period		(12,418)	(16,100)	(14,682)	(43,053)
Loss for the period attributable to:					
– Owners of the Company		(18,113)	(14,248)	(18,215)	(40,096)
– Non-controlling interests		926	(25)	605	(274)
		(17,187)	(14,273)	(17,610)	(40,370)
Total comprehensive expense for the period attributable to:					
– Owners of the Company		(15,482)	(16,157)	(16,583)	(42,913)
– Non-controlling interests		3,064	57	1,901	(140)
		(12,418)	(16,100)	(14,682)	(43,053)
LOSS PER SHARE	⁹				
Basic and diluted (<i>HK cents</i>)		(0.25)	(0.24)	(0.27)	(0.67)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	Notes	At 30 June 2018 \$'000 (Unaudited)	At 31 December 2017 \$'000 (Audited)
Non-current assets			
Plant and equipment		6,832	7,984
Investment properties		169,173	169,173
Goodwill		4,272	4,272
Interests in associates		75,844	75,813
Loan and interest receivables	12	-	1,675
Available-for-sale investments	10	58,912	59,180
		315,033	318,097
Current assets			
Inventories, finished goods		1,031	1,002
Trade and other receivables	11	67,538	53,428
Loan and interest receivables	12	48,664	48,059
Loan to an associate		26,863	24,856
Financial assets at fair value through profit or loss		55,855	40,328
Bank balances and cash		33,062	5,111
		233,013	172,784



	<i>Notes</i>	At 30 June 2018 \$'000 (Unaudited)	At 31 December 2017 \$'000 (Audited)
Current liabilities			
Trade and other payables	13	6,562	35,801
Amount due to non-controlling interests		2,995	2,995
Borrowings	14	54,898	67,189
Margin loan payable		34,008	20,022
Convertible bonds		22,696	21,687
Contingent consideration payable		512	512
Income tax payable		552	909
		122,223	149,115
Net current assets		110,790	23,669
Total assets less current liabilities		425,823	341,766
Non-current liabilities			
Deferred tax liabilities		21,534	21,533
		21,534	21,533
Net assets		404,289	320,233
Capital and reserves			
Share capital	15	146,071	122,071
Reserves		220,735	162,580
Equity attributable to owners of the Company		366,806	284,651
Non-controlling interests		37,483	35,582
Total equity		404,289	320,233

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital \$'000	Share premium \$'000	Equity component of convertible bonds \$'000	Investment revaluation reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Special reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Non-controlling interests \$'000	Total \$'000	
At 1 January 2017	120,007	398,019	12,847	4,662	13,168	(17,725)	6,026	-	(218,875)	318,129	43,998	362,127
Loss for the period	-	-	-	-	-	-	-	-	(40,096)	(40,096)	(274)	(40,370)
Other comprehensive expense for the period:												
Fair value change of available-for-sale investments	-	-	-	(2,944)	-	-	-	-	-	(2,944)	-	(2,944)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	127	-	-	-	127	134	261
Total comprehensive expense for the period	-	-	-	(2,944)	-	127	-	-	(40,096)	(42,913)	(140)	(43,053)
Recognition of equity-settled share based payments (note 15)	-	-	-	-	5,962	-	-	-	-	5,962	-	5,962
Transfer of convertible bond to unsecured loan	-	-	(2,954)	-	-	-	-	2,954	-	-	-	-
Loss on disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	764	764
Reversal of convertible bonds in previous year	-	-	269	-	-	-	-	-	(269)	-	-	-
Share option lapsed during the period	-	-	-	-	(100)	-	-	-	100	-	-	-
Issue of new shares upon conversion of convertible bonds (note 15)	1,369	14,065	(4,463)	-	-	-	-	-	-	10,971	-	10,971
At 30 June 2017	121,376	412,084	5,699	1,718	19,030	(17,598)	6,026	-	(256,186)	292,149	44,622	336,771
At 1 January 2018	122,071	416,409	5,699	5,064	18,827	(3,323)	6,026	(764)	(285,358)	284,651	35,582	320,233
Loss for the period	-	-	-	-	-	-	-	-	(18,215)	(18,215)	605	(17,610)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(268)	-	-	-	-	-	(268)	-	(268)
Exchange difference arising on translating foreign operations	-	-	-	-	-	1,900	-	-	-	1,900	1,296	3,196
Total comprehensive expense for the period	-	-	-	(268)	-	1,900	-	-	(18,215)	(16,583)	1,901	(14,682)
Placing of new shares (note 15)	24,000	72,909	-	-	-	-	-	-	-	96,909	-	96,909
Recognition of equity-settled share based payments	-	-	-	-	1,829	-	-	-	-	1,829	-	1,829
Share option lapsed during the period	-	-	-	-	(2,014)	-	-	-	2,014	-	-	-
At 30 June 2018	146,071	489,318	5,699	4,796	18,642	(1,423)	6,026	(764)	(301,559)	366,806	37,483	404,289



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Hong Kong dollars)

	For the six months ended 30 June	
	2018 \$'000	2017 \$'000
Net cash used in operating activities	(27,978)	(16,031)
Net cash from/(used in) investing activities	(17,515)	16,821
Net cash (used in)/from financing activities	70,248	(15,192)
Net decrease in cash and cash equivalents	24,755	(14,402)
Cash and cash equivalents at the beginning of period	5,111	22,298
Effect of foreign exchange rates changes, net	3,196	261
Cash and cash equivalents at the end of period, represented by bank balances and cash	33,062	8,157



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 Suites 2303-06, 23/F, Great Eagle Centre, 23 Harbour 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 six months ended 30 June 2018, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of trading of grocery food products, trading of consumables and agricultural products, property investment, provision of money lending services, one-stop value chain services and provision of financial services.

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

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 six months ended 30 June 2018 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2017 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

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 six months ended 30 June 2018 is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue:				
One-stop value chain services	8,837	1,925	20,105	4,690
Rental income (note (i))	1,508	798	3,191	1,605
Trading of grocery food products	1,553	9,032	3,123	18,308
Trading of consumables and agricultural products	997	1,721	2,759	2,957
Provision of money lending services (note (ii))	1,450	1,495	2,881	2,860
Provision of financial services	2,509	-	3,688	-
	16,854	14,971	35,747	30,420
Other revenue (note (iii))	2,094	558	3,415	644
	18,948	15,529	39,162	31,064

Notes :

(i) Rental income

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gross rental income	1,508	798	3,191	1,605
Less: outgoings (included in cost of sales)	(185)	(22)	(390)	(42)
Net rental income	1,323	776	2,801	1,563

(ii) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$95,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$95,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), a former executive director of the Company who resigned on 30 September 2017 for aggregate loan amount of HK\$2,400,000 extended in December 2017. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2018.

(iii) Other revenue

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income (note (iv))	1,396	80	2,484	160
Sundry income	698	478	931	484
	2,094	558	3,415	644

(iv) Interest income

Included in interest income are approximately HK\$2,463,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$159,000), charged to Zhonghe Huaxia (Beijing) Investment Consulting Co., Ltd. ("Beijing HX") for a loan amount of approximately HK\$22,495,000 granted on 1 September 2017. The loan was interest-bearing with interest rate of 18% per annum, unsecured and repayable by 30 April 2018. Another loan amount of approximately HK\$2,700,000 granted to Beijing HX on 1 September 2016. The loan was interest-bearing with interest rate of 12% per annum, unsecured and repayable by 31 May 2017. Mr. Au Yeung holds 15% interest in Beijing HX and Beijing HX is treated as associate in the consolidated financial statements of the Company.

4. Segment information

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions
2. Property investment – generated rental income from operating leases of Group's investment properties
3. Trading of consumables and agricultural products – trading of consumables and agricultural products
4. Trading of grocery food products – trading of grocery food products
5. Provision of money lending services – provision of money lending services
6. Provision of financial services – provision of financial and investment advisory and corporate finance services

The provision of financial and investment advisory services and corporate finance services were formally commenced during the year ended 31 December 2017 as a result of obtaining a service licence and the acquisition of a subsidiary. As a result, a new segment of provision of financial services was added under reportable and operating segments last financial year.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Unaudited six months ended 30 June 2018						Total HK\$'000
	One-stop value chain services HK\$'000	Property investment HK\$'000	Trading of consumables and agricultural products HK\$'000	Trading of grocery food products HK\$'000	Provision of money lending services HK\$'000	Provision of financial services HK\$'000	
REVENUE							
External sales	20,105	3,191	2,759	3,123	2,881	3,688	35,747
Segment profit (loss)	212	(1,475)	(74)	153	2,121	3,083	4,020
Unallocated corporate other revenue							3,415
Unallocated corporate expenses							(16,746)
Gain on disposal of financial assets at fair value through profit or loss							1,284
Decrease in fair value of financial assets at fair value through profit or loss							(3,958)
Share of results of associates							32
Finance costs							(5,499)
Loss before taxation							(17,452)

	Unaudited six months ended 30 June 2017					Total HK\$'000
	One-stop value chain services HK\$'000	Property investment HK\$'000	Trading of consumables and agricultural products HK\$'000	Trading of grocery food products HK\$'000	Provision of money lending services HK\$'000	
REVENUE						
External sales	4,690	1,605	2,957	18,308	2,860	30,420
Segment profit (loss)	(398)	(590)	(942)	(882)	2,444	(368)
Unallocated corporate other revenue						644
Unallocated corporate expenses						(23,237)
Loss on disposal of financial assets at fair value through profit or loss						(7,543)
Decrease in fair value of financial assets at fair value through profit or loss						(8,468)
Share of results of associates						1,465
Finance costs						(4,891)
Loss before taxation						(42,398)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration expenses, directors' emoluments, certain other gain or loss, net, decrease in fair value of financial assets at fair value through profit or loss, share of result of associates and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank borrowings	50	170	98	323
Interest on loan payable (Note (i))	186	–	2,508	92
Interest on margin loan payable	1,040	460	1,884	888
Effective interest expense on convertible bonds	507	1,592	1,009	3,588
	1,783	2,222	5,499	4,891

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$3,000 for the six months ended 30 June 2018 (six months ended 30 June 2017: HK\$13,000), payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$990,000 granted in January 2018. The loan was interest-bearing with interest rate of 4% per annum and fully repaid by 31 January 2018.

6. Taxation

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax	–	51	158	223
Deferred tax	–	–	–	(2,251)
Income tax credit recognised in profit or loss	–	51	158	(2,028)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and six months ended 30 June 2018 and 2017.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No EIT is provided for the three months and six months ended 30 June 2018 and 2017 as the Group did not derive any assessable profits subject to EIT.

No Taiwan Profit-Seeking Enterprise Income Tax, which is calculated at 17% of the estimated assessable profits, has been provided since there were no assessable profits for the three months and six months ended 30 June 2018 and 2017.

7. Loss for the period

	For the three months ended 30 June		For the six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:				
Directors' and chief executive's emoluments	1,096	2,804	2,931	5,591
Other staff costs (excluding directors' and chief executive's emoluments)	4,207	3,272	8,833	6,824
Retirement benefits scheme contributions (excluding directors and chief executive)	185	133	345	270
	5,488	6,209	12,109	12,685
Auditors' remuneration	189	165	468	330
Cost of inventories recognised as an expense	10,506	11,670	24,083	23,635
Amortisation of intangible asset	–	401	–	802
Depreciation for plant and equipment	599	594	1,183	1,516
Share based payment expenses (included in directors' and chief executives' emoluments and other staff costs)	874	2,952	1,829	5,962
Minimum lease payments paid under operating leases in respect of office premises	622	1,140	1,611	2,318

8. Dividend

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2018 (2017: nil).

9. 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 six months ended 30 June 2018 and 2017 is based on the following data.

	For the three months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	(18,113)	(14,248)	(18,215)	(40,096)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	7,303,552,488	6,029,674,486	6,723,332,708	6,015,088,985

Diluted loss per share is the same as basic loss per share for the three months and six months ended 30 June 2018. The computation of diluted loss per share does not assume (i) the conversion of the Company's outstanding convertible bonds as at 30 June 2018; (ii) the exercise of share options to subscribe for additional shares (see note 16); and (iii) the issue of contingent issuable shares from the contingent consideration arrangement as at 30 June 2018, since (i) the conversion of outstanding convertible bonds and the exercise of share options would result in an anti-dilutive effect; and (ii) the conditions of the contingent issuable shares were not met, for the three months and six months ended 30 June 2018.

Diluted loss per share is the same as basic loss per share for the three months and six months ended 30 June 2017. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as at 30 June 2017 since their conversion would result in an anti-dilutive effect on the basic loss per share for the three months and six months ended 30 June 2017.

10. Available-for-sale investments

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
At cost:		
Unlisted equity investments – cost (<i>Note (a) and (b)</i>)	41,616	41,616
Less: Accumulated impairment losses	(500)	(500)
	41,116	41,116
At fair value:		
Listed equity investments – fair value (<i>Note (c) and (d)</i>)	17,796	18,064
	58,912	59,180

Notes:

- (a) The unlisted equity investments of approximately HK\$500,000 represent investments in unlisted equity securities issued by a private entity incorporated in Hong Kong. They are measured at cost less accumulated impairment losses at the end of the Reporting Period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. As at 31 December 2015, it had been fully impaired.
- (b) The unlisted equity investments of approximately RMB37,000,000 (equivalent to HK\$41,116,000) represent investment in unlisted equity securities issued by private entities incorporated in PRC. They are measured at cost less accumulated impairment losses at the end of the Reporting Period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.
- (c) The listed equity investments listed in Hong Kong with the fair value of approximately HK\$17,796,000 as at 30 June 2018 (31 December 2016: HK\$18,064,000), have been pledged to a bank to secure the bank borrowings granted to the Group. Details of bank borrowings are set out in note 14.
- (d) As at 30 June 2018, the Group recognised a fair value loss of approximately HK\$268,000 (31 December 2017: gain of HK\$402,000) in the investment revaluation reserve.

11. Trade and other receivables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Trade receivables (Note (b))	4,611	5,570
Less: Allowance for doubtful debts	(302)	(302)
	4,309	5,268
Prepayment to suppliers	1,470	4,333
Deposit (Note a)	60,217	41,283
Other receivables	2,548	3,550
Less: Allowance for doubtful debts	(1,006)	(1,006)
	61,759	43,827
	67,538	53,428

The Group does not hold any collateral over the trade and other receivables.

Notes:

- (a) As at 30 June 2018, included in the deposit of approximately HK\$9,111,000 (31 December 2017: HK\$9,401,000) was paid for the purpose of acquisition of equity interests in three subsidiaries incorporated in Hong Kong and the PRC. During the year ended 31 December 2017, one of the subsidiaries was acquired at a consideration of HK\$1,700,000.

During the year ended 31 December 2017, included in the deposits of approximately HK\$4,168,000 was paid for the purpose of additional acquisition of equity interests in two subsidiaries incorporated in Hong Kong and the PRC. However, subsequent to the year ended 31 December 2017, such investments were terminated and the amount will be repaid in accordance with the repayment schedule.

As at 30 June 2018, included in the deposits of approximately HK\$35,000,000 was paid for the purpose of acquisition of additional equity interest in a non-wholly owned subsidiary incorporated in Hong Kong. Pursuant to the supplementary agreement, the completion has been extended from 17 January 2018 to 17 January 2019.

As at 30 June 2018, included in the deposit of approximately HK\$5,320,000 was paid for the purpose for acquisition of an investment property. The transaction was not completed as at the report date.

- (b) The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days (31 December 2017: 0 days to 90 days). The ageing analysis of trade receivables presented based on the invoice dates, which approximates the respective revenues recognition dates, at the end of the Reporting Period, which is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
0 to 30 days	1,064	2,082
31 to 90 days	1,774	1,146
Over 90 days	1,471	2,040
	4,309	5,268

12. Loan and interest receivables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Fixed-rate loan and interest receivables		
– Secured	44,293	44,709
– Unsecured	8,520	9,174
	52,813	53,883
<i>Less: Allowance for doubtful debts</i>	(4,149)	(4,149)
	48,664	49,734
Analysed as		
Current asset (within one year)	48,664	48,059
Non-current asset	–	1,675

Notes:

- (a) Some of the secured loan and interest receivables were past due but no impairment was made as of the end of the Reporting Period, as in the opinion of the directors of the Company that the outstanding amount can be fully recoverable by the collateral.
- (b) The loan receivables are entered into with independent third parties except for those mentioned in notes (e) and (f) below, with contractual maturity within six months to one year (31 December 2017: six months to one year). The Group seeks to maintain tight control over its loan and interest receivables in order to minimise credit risk by reviewing the borrowers' financial positions.

- (c) The secured loan and interest receivables are secured by the unlisted shares, properties of the borrowers and personal guarantee.
- (d) As at 30 June 2018, the current fair value of collaterals held by the Group is approximately HK\$100,753,000 (31 December 2017: HK\$100,753,000).
- (e) As at 30 June 2018, included in the carrying amount is approximately HK\$2,400,000 being a renewal of the existing loan to the former director of the Company (31 December 2017: HK\$2,400,000). The maximum amount outstanding for the year ended 30 June 2018 was approximately HK\$2,400,000 (31 December 2017: HK\$2,400,000). The amount is secured by the unlisted shares in a PRC entity held by the former director of the Company, subject to a fixed interest rate of 8% (31 December 2017: 8%) per annum and is repayable within a year from the date of loan granted.
- (f) As at 30 June 2018, included in the carrying amount is approximately HK\$4,371,000 being a loan to the non-controlling interests of the Group (31 December 2017: HK\$5,026,000). The amount is secured by personal guarantee and subject to a fixed interest rate of 7% (31 December 2017: 7%) per annum and is repayable within 36 months from the date of loan granted.
- (g) The ranges of effective interest rates (which are equal to contractual interest rates) on the Group's loan and interest receivables are as follows:

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Effective interest rate:		
Fixed-rate loan and interest receivables	7% – 18%	7% – 18%

- (h) The following is an ageing analysis of loan and interest receivables, net of allowance for doubtful debts, presented based on the dates which loans are granted to borrowers and interests are accrued.

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within 1 year	48,664	48,059
After 1 year but within two year	–	1,675
After two years but within five year	–	–
	48,664	49,734

13. Trade and other payables

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Trade payables	118	151
Other payables	6,444	35,650
	6,562	35,801

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the Reporting Period.

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
0 to 30 days	118	151

The average credit period on purchases of goods is 15 days (31 December 2017: 15 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

14. Borrowings

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Bank borrowings, secured	8,702	9,233
Other borrowings, unsecured	11,196	10,000
Other borrowings, secured	35,000	47,956
	46,196	57,956
Total borrowing	54,898	67,189

At 30 June 2018, the secured bank borrowing of approximately HK\$8,702,000 (31 December 2017: HK\$9,233,000) is secured by a mortgage over an investment property of the Company located in Taiwan with carrying amount of NTD80,000,000 (31 December 2017: NTD80,000,000), equivalent to approximately HK\$21,359,000 (31 December 2017: HK\$21,359,000). The bank borrowing carried a saving deposit rate plus a fixed spread of 0.62% in the first year, 0.87% in the second year and 0.97% from the third to fifteen year.

At 30 June 2018, the Group had drawn an unsecured loan of HK\$11,196,000 (31 December 2017: HK\$10,000,000) from its credit facility with a fixed interest rate of 10% per annum from a financial institution which was secured by the listed securities in Hong Kong with fair value of approximately HK\$17,796,000 (31 December 2017: HK\$18,064,000).

At 31 December 2017, the Group obtained new loans in the amount of approximately RMB40,000,000 (equivalent to HK\$47,288,000) (31 December 2017: HK\$47,956,000) from a financial institution in PRC. The loans carried interest at fixed rates of 15.6% per annum and are secured by the Group's seven investment properties located in the PRC with carrying amount of RMB80,300,000 (equivalent to HK\$96,272,000). The borrowings were fully repaid during the period ended 30 June 2018.

15. Share capital

	Nominal value per share <i>HK\$</i>	Number of shares	Amount <i>HK\$'000</i>
Authorised ordinary shares:			
At 1 January 2017 and 31 December 2017 and 30 June 2018	0.02	9,130,434,785	182,609
Issued and fully paid ordinary shares:			
At 1 January 2017	0.02	6,000,341,424	120,007
Issued of shares upon conversion of convertible bonds (<i>Note a</i>)	0.02	68,443,811	1,369
Exercise of share options (<i>Note b</i>)	0.02	30,750,000	615
Issue of shares in upon settlement of contingent consideration (<i>Note c</i>)	0.02	4,017,253	80
At 31 December 2017	0.02	6,103,552,488	122,071
Placing of new shares (<i>Note d</i>)	0.02	1,200,000,000	24,000
At 30 June 2018	0.02	7,303,552,488	146,071
Authorised convertible preference shares:			
At 1 January 2017, 31 December 2017 and 30 June 2018	0.10	173,913,043	17,391
Issued and fully paid convertible preference shares:			
At 1 January 2017, 31 December 2017 and 30 June 2018	0.10	-	-



Notes:

- (a) During the year ended 31 December 2017, the remaining CB-II with principal amount of HK\$20,000,000 was converted into 68,443,811 ordinary shares of the Company at par at the conversion price of HK\$0.17 per ordinary shares. As a result of the conversion share capital and share premium have been increased by approximately HK\$1,369,000 and approximately HK\$13,795,000 respectively and equity component of convertible bonds has been decreased by approximately HK\$4,194,000.
- (b) During the year ended 31 December 2017, 30,750,000 share options had been exercised by the holders an exercise price HK\$0.11 each for the issuance of shares at par. As a result of the exercise of share options, cash and cash equivalents, share capital and share premium have been increased by HK\$3,383,000, HK\$615,000 and HK\$4,153,000 respectively and share options reserves has been decreased by approximately HK\$1,385,000.
- (c) On 29 July 2016, a wholly owned subsidiary of the Company, Treasure Max Investment Holding Limited (the "Purchaser") and Ms. Kwok Shuk Kam (the "Vendor") entered into the Sale and Purchase Agreement, pursuant to which the Vendor has agreed to sell the Sale Shares (as defined in the Company's announcement dated 29 July 2016) to the Purchaser and the Purchaser has agreed to acquire the Sale Shares from the Vendor. The Consideration in the sum of up to HK\$4,212,000 (subject to adjustment) shall be satisfied by cash of HK\$2,600,000 and up to HK\$1,612,000 by issue of not more than 12,400,000 consideration shares at HK\$0.13 per consideration share under the General Mandate granted to the directors of the Company at the annual general meeting held on 4 May 2016.

During the year ended 31 December 2017, the Company issued 4,017,253 ordinary shares at par value of HK\$0.02 per share at a conversion price of HK\$0.13 per share on a pro rata basis to the Vendor since only 65% of the target profit after tax have been met. As a result of this transaction, share capital and share premium have been increased by approximately HK\$80,000 and approximately HK\$442,000 respectively.

- (d) On 9 March 2018, the Company and Kingston Securities Limited (the "Placing Agent") entered into the placing agreement, pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, a maximum to 1,200,000,000 ordinary shares of the Company at the placing price of HK\$0.083 per placing share (the "2018 Placing").

The gross proceeds from the 2018 placing were approximately HK\$99,600,000 and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$96,900,000. The relevant resolution was passed at the Company's special general meeting on 9 March 2018. The completion of the placing took place on 29 March 2018. Further details of the placing are set out in the announcements of the Company dated 9 March 2018 and 29 March 2018.

- (e) All new shares rank pari passu with other shares in issue in all respects.

16. Share options

The Company has a share option scheme, which was adopted on 6 May 2011, for eligible employees, the directors of the Company and other selected participants for their contribution to the Group.

Details of the share options outstanding are as follows:

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Number of share options outstanding	364,625,000	403,625,000
Exercisable at the end of the period/year	219,825,000	218,500,000
Weighted average exercise price	HK\$0.123	HK\$0.124

For the three months and six months ended 30 June 2018, 39,000,000 share options were lapsed, and no share options have been granted, exercised or cancelled (three months and six months ended 30 June 2017: 5,000,000).

For the three months ended and six months ended 30 June 2018, the Group has recognised approximately HK\$874,000 and HK\$1,829,000, respectively (three months and six months ended 30 June 2017: HK\$2,952,000 and HK\$5,962,000) of share based payment expenses in the unaudited condensed consolidated statement of profit or loss and other comprehensive income.

17. Operating lease commitment

Commitments under operating lease

The Group as lessee

At the end of the Reporting Period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within one year	4,334	4,491
In the second to the fifth year inclusive	2,338	4,437
	6,672	8,928

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for terms of one to three years (31 December 2017: one to three years) and rentals are fixed over the terms of the leases.

The Group as lessor

At the end of the Reporting Period, the Group had contracted with tenants for the following future minimum lease payments:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Within one year	6,287	6,276
In the second to the fifth year inclusive	8,474	11,622
	14,761	17,898

18. Capital commitment

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Acquisition of subsidiaries	20,000	35,000

19. Fair value measurements of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each Reporting Period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Financial asset	Fair value as at 30 June 2018	Fair value hierarchy	Valuation technique(s) and key inputs
Listed equity securities			
Held-for-trading non-derivative financial assets classified as financial assets at fair value through profit or loss in the consolidated statement of financial position	Listed equity securities in Hong Kong HK\$55,855,000 (31 December 2017: HK\$40,328,000)	Level 1	Quoted closing prices in an active market
Listed equity securities			
Available-for-sale investments in the consolidated statement of financial position	HK\$17,796,000 (31 December 2017: HK\$18,064,000)	Level 1	Quoted closing prices in an active market

During the year ended 31 December 2017, a contingent consideration was resulted upon acquisition of Inno-Bag Limited (“Inno-Bag”). The fair value of the contingent consideration arrangement of approximately HK\$512,000 as at the date of acquisition and as at 31 December 2017 which was estimated by applying the income approach. The fair value estimates are based on the volatility of the Company’s shares ranged from 45.8% to 46.1% and assumed that Inno-Bag has reached the profit after tax of not less than HK\$1,200,000 for each of the two years ending 31 March 2017 and 2018 respectively. This is a level 3 fair value measurement.

As at 31 December 2017, there was a loss on fair value of contingent consideration resulted from the acquisition of the YIHE Enterprise Holding Limited and its subsidiary (collectively referred as “YIHE Group”) of approximately HK\$1,839,000 recognised in profit or loss which comprised the price per share of the Company’s share has been decreased as at 31 December 2017 as well as the effect of the failure to meet the condition of the contingent consideration payable due to the share issuance condition had not been met in accordance with the sale and purchase agreement of the acquisition of YIHE Group. The fair value of the contingent consideration payable is determined by using the probabilistic method with reference to the projected net profit of the YIHE Group for the two financial years ended 31 December 2017 and 2018.

Note: There were no transfers between levels of fair value hierarchy in the current Reporting Period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to the short-term maturity or the impact of discounting was not significant.

20. Related party transactions

- (a) The Group entered into the following significant transactions with related parties during the six months ended 30 June 2018 and 2017:

Name of company	Nature of transaction	For the six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Au Yeung Po Leung (<i>Note a</i>)	Loan interest income received	95	95
Beijing HX (<i>Note b</i>)	Loan interest income received	2,155	159
Bright Kingdom International Limited ("Bright Kingdom") (<i>Note c</i>)	Administrative expenses: Consultancy fee paid	300	300
Chan Kee Holdings Limited ("Chan Kee") (<i>Note d</i>)	Purchases	1,990	2,796
	Loan interest income received	147	182
	Deposit paid	174	1,207
	Consultancy fee paid	159	159

Note a: Au Yeung Po Leung was an executive director of the Company who resigned on 30 September 2017.

Note b: Beijing HX is the associate entity of the Group.

Note c: Bright Kingdom International Limited is connected with the director of the Company.

Note d: On 4 February 2016, Maxford Wealth Limited ("Maxford Wealth"), a wholly-owned subsidiary of the Company, formed an entity named Right Ocean Asia Limited ("Right Ocean") with an independent third party Ms. Yoo (the spouse of Mr. Chan) and which Mr. Chan is the substantial shareholder of Chan Kee. Pursuant to the agreement entered into by Right Ocean and Chan Kee, Ms. Yoo and Mr. Chan shall procure Chan Kee to enter into the trademark licence agreement and the sole distributorship agreement with Right Ocean, for the sole and exclusive sale and distribution of the grocery food products and right to use the trademark granted by Chan Kee at nil consideration within the Hong Kong, Macau and Taiwan.

Upon the formation of Right Ocean, the equity of Right Ocean is held as to 51% by Maxford Wealth and 49% by Ms. Yoo. Therefore Right Ocean became a non-wholly owned subsidiary of the Company.

In the meantime, a shareholder loan agreement was entered into between Maxford Wealth and Right Ocean, pursuant to which Maxford Wealth has agreed to lend a loan of HK\$11,000,000 to Right Ocean, with a fixed interest rate of 5% per annum and repayable on demand.

Another loan agreement was entered into between Right Ocean and Chan Kee, pursuant to which Right Ocean has agreed to lend a loan of HK\$6,000,000 to Chan Kee, with Ms. Yoo and Mr. Chan as guarantors, a fixed interest rate of 7% per annum, repayable within 36 months after the date of drawdown for business operation. Details are disclosed in note 12(f).

Details are set out in the announcement of the Company dated 4 February 2016.

(b) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management during six months ended 30 June 2018 and 2017 was as follows:

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	3,394	6,566
Post-employment benefits	50	70
	3,444	6,636

The remuneration of directors of the Company and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

21. Events after the Reporting Period

There are no material events after the Reporting Period.

22. Comparative figures

Turnover, provision of money lending services income and provision of financial services income were presented separately in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation. To conform to current period's presentation, the above amount for the period ended 30 June 2017 have been separately disclosed in the consolidated statement of profit or loss and other comprehensive income.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the six months ended 30 June 2018 (the “Reporting Period”), the Group has been principally engaged in the business of one-stop value chain services, property investment, trading of grocery food products, trading of consumables and agricultural products, provision of money lending services and provision of financial services.

One-stop Value Chain Services

During the Reporting Period, this business segment reported a revenue of approximately HK\$20,105,000 (six months ended 30 June 2017: HK\$4,690,000) representing an increase of approximately 328.7% as compared with the last corresponding period. The increase was due to more resources were allocated to this segment.

Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$3,191,000 (six months ended 30 June 2017: HK\$1,605,000), representing an increase of approximately 98.8% as compared with last corresponding period. The increase was due to more commercial office space were leased out. At 30 June 2018, the Group held properties in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$169,173,000 (31 December 2017: HK\$169,173,000).

Trading of Grocery Food Products

The Group’s trading of grocery food products segment is the sole and exclusive distributor for the sale and distribution of ramen and udon products under the brand of “Nittin” (日丁) in Hong Kong, Macau and Taiwan.

During the Reporting Period, the segment reported a revenue of approximately HK\$3,123,000 (six months ended 30 June 2017: HK\$18,308,000), representing a decrease of approximately 82.9% as compared with the last corresponding period. The decrease was mainly due to the Group has ceased the trading business of “Mengniu” and “Jinlongyu”.



Trading of consumables and agricultural products

During the Reporting Period, the trading of consumables and agricultural products segment generated revenue of approximately HK\$2,759,000 (six months ended 30 June 2017: HK\$2,957,000), representing a decrease of approximately 6.7% as compared with last companding period.

The competition in this business segment is still very keen and the Group is cautious in its development and will compare its profitability with other business opportunities carefully.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$2,881,000 (six months ended 30 June 2017: HK\$2,860,000), representing an increase of approximately 0.7% as compared with the last corresponding period. 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

During the Reporting Period, this segment reported a revenue of approximately HK\$3,688,000 (six months ended 30 June 2017: nil). The Group successfully stepped into the business of provision of financial services. On 17 August 2017, China AF Asset Management Limited, a wholly-owned subsidiary, obtained Type 9 licence under Securities and Futures Commission (the "SFC"). On 5 September 2017, the Group completed the acquisition of 70% interest in China AF Corporate Finance Limited (formerly known as Royal Excalibur Corporate Finance Company Limited), a company holding Type 6 licence under the SFC. It is believed that this segment will ride on Hong Kong's being international financial hub and provide positive contribution to the Group.

Securities investments

The Group had available-for-sale investments and financial assets at fair value through profit or loss in aggregate of approximately HK\$114,767,000 as at 30 June 2018, representing approximately 20.94% of the Company's total assets (31 December 2017: approximately HK\$99,508,000, representing approximately 20.27% 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 (as detailed below) 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.

Below is additional information in relation to the significant investments with market value exceeding HK\$10,000,000 as at 30 June 2018 and 31 December 2017:

For the six months ended 30 June 2018 and year ended 31 December 2017

Name of investee company	Investment cost		Number of shares held				% of shareholding		Market value		% of market value to the Group's total assets		Change in fair value		Gain/(loss) on disposal		Dividends received	
	For the six months ended	For the year ended	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017	For the six months ended	For the year ended	For the six months ended	For the year ended	For the six months ended	For the year ended		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
	Approximately HK\$'000				Approximately			Approximately	Approximately	Approximately	Approximately HK\$'000	Approximately	Approximately HK\$'000	Approximately HK\$'000	Approximately HK\$'000	Approximately HK\$'000		
Financial assets at fair value through profit or loss																		
China Fortune Financial Group Limited (Note 1)	14,615	33,478	86,482,000	194,620,000	1.48%	1.48%	16,378	17,681	1.89%	3.68%	(4,238)	(15,796)	(429)	(1,479)	-	-		
Madison Holdings Group Limited (Note 2)	13,153	18,402	7,692,000	8,886,000	0.22%	0.22%	13,230	14,843	2.42%	3.02%	77	(3,559)	-	-	-	-		
Others (Note 3 and Note 7)	32,044	8,668	NA	NA	NA	NA	32,247	7,804	5.88%	1.59%	303	(1,246)	(216)	(5,686)	257	20		
	59,812	60,548					55,855	40,328	10.19%	0.21%	(3,859)	(20,621)	(739)	(7,168)	257	20		
Available-for-sale investments																		
China Industrial Securities International Financial Group Limited (Note 4)	13,000	13,000	13,380,451	13,380,451	0.33%	0.33%	17,796	18,064	3.25%	3.68%	(268)	5,064	-	-	401	268		
Arhui Damingyuan Tourism Development Company Limited (Note 5) (安惠大明園旅遊發展股份有限公司)	41,744	41,744	11,250,000	11,250,000	4.99%	4.99%	40,005	40,005	7.30%	8.15%	-	-	-	-	-	-		
Others (Note 6)	1,344	1,344	NA	NA	NA	NA	1,111	1,111	0.20%	0.23%	-	-	-	-	-	-		
	55,888	55,888					58,912	59,180	10.75%	12.06%	(268)	5,064	-	-	401	268		
Total	115,700	116,836					114,767	99,508	20.94%	20.27%	(4,226)	(15,557)	(739)	(7,168)	658	288		



Notes:

1. China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange, together with its subsidiaries are principally engaged in securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.
 2. Madison Holdings Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine; and (ii) the provision of financial services.
 3. These are all listed companies on the Stock Exchange for the six months ended 30 June 2018 and as at 30 June 2018, together with their subsidiaries are mainly engaged in provision of financial services such as securities and brokerage trading as well as provision of loans and financing services. There are also companies engaging in printing and packaging industry, equine services, building fire safety services, and asphalt plants industry.
 4. China Industrial Securities International Financial Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in the provision of brokerage services, loans and financing services, investment banking services, asset management services and financial products and investments.
 5. Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司), a company listed on Shanghai Equity Exchange in the PRC until 28 February 2018, which is principally engaged in development of tourism resources business. For details, please refer to the announcements of the Company dated 19 July 2016 and 31 August 2016.
 6. This is another listed company on Shanghai Equity Exchange in the PRC which is principally engaged in selling comfort shoes and insoles, as well as foot related products.
 7. These are all listed companies on the Stock Exchange for the year ended 31 December 2017 and as at 31 December 2017, together with their subsidiaries are mainly engaged in the financial industry such as securities trading, provision of financial guarantee services and loans financing business. There are also companies engaging in properties investments, motor trading industry and internet technology related service industry.
- * For identification purposes only





FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$35,747,000 (six months ended 30 June 2017: HK\$30,420,000), representing an increase of approximately 17.5% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$24,473,000 (six months ended 30 June 2017: HK\$23,677,000), representing an increase of approximately 3.4% as compared with the last corresponding period. The increase was in line with the increase of revenue.

Administrative expenses for the Reporting Period amounted to approximately HK\$23,468,000 (six months ended 30 June 2017: HK\$29,062,000), representing a decrease of approximately 19.2% as compared with the last corresponding period. This decrease was mainly due to decrease of share based payment of approximately HK\$4,133,000, decrease of legal and professional fees of approximately HK\$2,360,000 and rental expense of approximately HK\$495,000.

Finance costs for the Reporting Period was approximately HK\$5,499,000 (six months ended 30 June 2017: HK\$4,891,000), representing an increase of approximately 12.4% as compared with the last corresponding period. The increase was mainly due to the increase of interest paid and payable for the secured bank loans, other borrowings and margin loans.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$18,215,000 (six months ended 30 June 2017: HK\$40,096,000). The basic loss per share of the Company for the six months ended 30 June 2018 is 0.27 HK cents (six months ended 30 June 2017: 0.67 HK cents).



Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources, borrowings and placing of new shares. At 30 June 2018, the bank balances and cash of the Group was approximately HK\$33,062,000 (31 December 2017: approximately HK\$5,111,000).

At 30 June 2018, the net assets of the Group was approximately HK\$404,289,000 (31 December 2017: HK\$320,233,000) and the net current assets was approximately HK\$110,790,000 (31 December 2017: HK\$23,669,000).

Gearing Ratio

At 30 June 2018, the total liabilities of the Group amounted to approximately HK\$143,757,000 (31 December 2017: HK\$170,648,000), which mainly comprised of trade and other payables, borrowings, amount due to non-controlling interests, liability component of convertible bonds, margin loan payable and deferred tax liabilities. The liabilities are denominated in Hong Kong dollars, Renminbi and New Taiwan dollars.

At 30 June 2018, the Group had total assets of approximately HK\$548,046,000 (31 December 2017: HK\$490,881,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, decreased to 0.26 as at 30 June 2018 (31 December 2017: 0.35).

Segmental Information

An analysis of the Group's performance for the Reporting Period by business segment is set out in note 4 to this report.

Capital Structure

As at 30 June 2018, the Company's issued ordinary share capital with an aggregate nominal value of HK\$146,071,049.76 is divided into 7,303,552,488 ordinary shares of HK\$0.02 each ("Shares") (31 December 2017: HK\$122,071,049.76 divided into 6,103,552,488 Shares).





Fund Raising Activities

Issue of Convertible Bonds II as a consideration of an acquisition

On 13 December 2013, Skyline Top Limited (“Skyline Top”), a wholly-owned subsidiary of the Company and Mr. So Pan entered into a sale and purchase agreement, pursuant to which (i) Mr. So Pan has agreed to sell to Skyline Top, and Skyline Top has agreed to purchase from Mr. So Pan the sale shares of Konson Global Investments Limited; and (ii) Mr. So Pan has agreed to assign to Skyline Top, and Skyline Top has agreed to accept the assignment of, the sale loan at an aggregated consideration of HK\$40,000,000, of which: (i) HK\$20,000,000 shall be satisfied by Skyline Top by cheque or cashier order upon the completion; and (ii) HK\$20,000,000 shall be satisfied by the Skyline Top’s procuring of the issue of the convertible bonds (“Convertible Bonds II”) at the conversion price of HK\$0.17 (*note*) per conversion share by the Company to Mr. So Pan upon completion.

Upon exercise of conversion rights attaching to the Convertible Bonds II, 117,647,058 (*note*) new shares shall be issued.

The completion of the acquisition involving the issue of convertible bonds as a consideration took place on 31 March 2014.

Included in the audited financial statements of the Property Investment Subsidiary (as defined in the Company’s circular dated 19 February 2014) dated 28 April 2017 was the profit before tax of the Property Investment Subsidiary for the period commencing from the Placing Completion Date (as defined in the Company’s circular dated 19 February 2014) up to 31 December 2016 of HK\$46,541,792 which was audited by the auditor of the Company. As a result, principal portion of Convertible Bond II amounted to HK\$8,364,552 was cancelled by the Company pursuant to the terms and conditions of the Convertible Bond II. On 23 May 2017, 68,443,811 new shares of the Company were issued to Mr. So Pan upon his exercise in full of the remaining portion of Convertible Bond II.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 13 December 2013, 7 March 2014 and 31 March 2014 and the circular of the Company dated 19 February 2014.

Note: On 2 July 2015, a placing of 629,000,000 new shares of the Company was completed and pursuant to the terms and conditions of the bond instruments of the Convertible Bonds, the conversion price was revised from HK\$0.188 to HK\$0.17. As a result, number of new shares to be issued upon exercise of conversion attaching to the Convertible Bonds was revised from 106,382,978 to 117,647,058.

Issue of Convertible Bond III & Convertible Bond IV as a consideration of an acquisition – completed

On 28 May 2015, Skyline Top Limited and Yardley Wealth Management Limited (“Yardley”) became shareholders (the “JV Partners”) of Delightful Hope Limited (the “JV Company”) for the purpose of the proposed acquisition. The JV Company is owned as to 50% by each of the JV Partners.

Upon formation of JV Company, the JV Partners have agreed to make provision for the management and administration of the JV Company’s affairs, and set out their respective obligations and rights on the terms and conditions set in the shareholders’ agreement (the “Shareholders’ Agreement”).

On 29 May 2015, the Company, the JV Company, Yardley and Rich Best Asia Limited (the “Vendor”) entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which (i) the Vendor has agreed to sell and the JV Company has agreed to purchase entire equity interest in China Smart Asia Limited, a subsidiary of Chinese Strategic Holdings Limited (“Chinese Strategic”), which the shares of Chinese Strategic are listed on the GEM of the Stock Exchange (stock code: 8089); and (ii) the Vendor has agreed to assign the JV Company, and the JV Company has agreed to accept the assignment of sale loan at an aggregate consideration of HK\$93,000,000, which shall be settled and discharged by the JV Company in accordance with the time, mode and manner set out under the Sale and Purchase Agreement: (i) forthwith upon the execution of the Sale and Purchase Agreement, the JV Company and Yardley shall jointly and severally pay the sum of HK\$20,000,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor as deposit (the “Deposit”), and the Deposit shall be applied for part payment of the consideration at completion; (ii) the JV Company and Yardley shall jointly and severally pay a further sum of HK\$26,500,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor for partial payment of the balance of the consideration at completion; and (iii) the remaining balance of the consideration in the sum of HK\$46,500,000 shall be settled and discharged by the Company’s issuance to the Vendor (or any nominee of the Vendor) (a) the convertible bonds (“Convertible Bond III”) in the principal amount of HK\$23,000,000; and (b) the convertible bonds (“Convertible Bond IV”) in the principal amount of HK\$23,500,000 at completion.

Upon exercise of conversion rights attaching to the Convertible Bond III and Convertible Bond IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of Convertible Bond III and Convertible Bond IV as a part of the consideration took place on 20 August 2015.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 29 May 2015, 20 August 2015 and the circular of the Company dated 27 July 2015.

Convertible Bond III expired on 31 March 2017 and subsequently the Company received a redemption notice from the Convertible Bond III holder for the principal amount of HK\$23,000,000. The amount remained outstanding after expiry and the Company has agreed with the Convertible Bond III holder to pay an interest of 5% per annum from 1 April 2017 up to the date of settlement. The amount was fully settled with interest on 29 March 2018.

Placing of new shares

On 20 February 2018, the Company entered into the placing agreement with a placing agent, it is propose that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at HK\$0.08334 per placing shares ("Placing I"), and the placing agent has agreed to procure subscriptions for the placing shares. The maximum gross proceeds from the Placing I will be approximately HK\$100,008,000. Details are set out in the announcement issued by the Company dated 20 February 2018.

On 9 March 2018, the Company announced to terminate Placing I and will be replaced by a new placing agreement with a placing agent. It is proposed that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at the placing price of HK\$0.083 per placing share. The maximum gross proceeds from the placing were approximately HK\$99,600,000 and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$96,900,000. Further details of the placing are set out in the announcements of the Company dated 9 March 2018 and 29 March 2018.

The net proceeds from placing were used as follows:

Period under review	Aggregate amount used during the period under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the period under review
Since completion of placing on 29 March 2018 up to and including 30 June 2018	Nil	Redemption of Convertible Bond	HK\$23.5 million
	HK\$23.9 million	Repayment of other debts	Nil
	HK\$44.5 million	Partial repayment of loan	Nil
	HK\$5.0 million	General working capital	Nil

Charges on Group's Assets

As at 30 June 2018, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$8,701,000 (31 December 2017: HK\$9,233,000). Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$34,008,000 (31 December 2017: HK\$20,022,000). Furthermore, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from two money lenders in Hong Kong of approximately HK\$35,000,000 (31 December 2017: HK\$47,484,000).

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

Capital Commitments

As at 30 June 2018, the Group had capital commitments amounting to approximately HK\$20,000,000 (31 December 2017: HK\$35,000,000).

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.

Significant Investments, Acquisitions and Disposal

Acquisition of Shunxin Holdings Limited and placing of convertible bonds

(a) The acquisition of Shunxin Holdings Limited (the "Acquisition")

On 29 May 2017, Cosmic Bliss Limited as the vendor (the "Vendor"), Champion Front Limited as the purchaser (the "Purchaser") and the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the entire issued share capital of Shunxin Holdings Limited, the target company, at the maximum consideration of HK\$120,000,000, which shall be settled by the issue of the consideration CBs (the "Consideration CBs").



Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the outstanding shareholder loan due to the Vendor at the consideration of HK\$1, which shall be settled by cash at completion.

The Consideration CBs are convertible at the conversion price of HK\$0.06 per consideration conversion share. Assuming the Consideration CBs in the principal amount of HK\$120,000,000 are fully converted at the initial conversion price of HK\$0.06, 2,000,000,000 new shares will be allotted and issued by the Company under specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Consideration CBs.

Upon completion of the Acquisition, the target company and its subsidiaries will become wholly-owned subsidiaries of the Company and accordingly, their financial results will be consolidated into the accounts of the Company.

(b) Placing of convertible bonds (the "Placing")

On 29 May 2017, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement (the "Placing Agreement") pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent and the Placing Agent has agreed to procure subscribers to subscribe for the placing CBs (the "Placing CBs") in the aggregate principal amount of HK\$360,000,000, on a best effort basis, on the terms and conditions set out in the Placing Agreement.

Completion of the Placing shall be conditional upon, among other things, the completion of the Acquisition. Assuming the Placing CBs in the principal amount of HK\$360,000,000 are fully converted at the initial conversion price of HK\$0.06, 6,000,000,000 new shares will be allotted and issued by the Company under the specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Placing CBs.

On 2 January 2018, the Company announced that the Acquisition was terminated as certain conditions precedent of the Sale and Purchase Agreement have not fulfilled or waived by the long stop date. As a result, the Company also announced that the Placing was terminated accordingly.



Acquisition of interest in certain properties in Shenzhen, the PRC

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. As at the date of this report, HK\$15,000,000 of above payment has been paid.





OUTLOOK

Looking ahead, the global economy was clouded by trade wars and trade protectionism. Local economy, stock market and economic growth are likely to be affected. However, the Group will continue allocating its resources carefully in different business segments as to optimize its investment returns.

One-stop value chain services

The Group noticed that the performance of this segment was better than previous year. Nevertheless, the Group is still working on improvement plan. We expect that this business segment will continue contribute to the Group's revenue and gross profit.

Property investment

The Group entered into an agreement to consolidate its interest in a commercial property in Shenzhen City, Guangdong Province, the PRC last year. Upon completion, the Group will wholly own 8 commercial units of a total gross floor area of approximately 1,690 sq.m. The Group will continue monitor its property investment portfolio and grasp the opportunity to be benefited from the potential capital gain of the assets together but also balance with enhanced rental yields.

Trading of consumables and agricultural products

The business segment for trading of consumables and agricultural products was mainly composed of re-usable bags trading business. The business segment demonstrates huge potential and the Group is optimistic about its future contribution.

Trading of grocery food products

Since the Group has decided not to renew the sale distributorship agreements with respective principals of Mengniu and Jinlongyu products, the Group will focus its resources on Nittin brand of ramen and udon products in this segment.



Provision of money lending services

The Group's money lending services segment continue to make stable contribution to the Group's revenue. The Group will continue its tight credit control policy and look to further expand this business segment if and when financial resources are available.

Provision of financial services

The Group has now 2 licensed subsidiaries providing asset management and advising on corporate finance services. With the relatively optimistic outlook in Hong Kong in 2018, the Group is confident that this segment will continue to grow and make positive contribution to the Group's revenue and profit.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had 41 full-time employees (31 December 2017: 44). Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$12,109,000 (six months ended 30 June 2017: approximately HK\$12,685,000). 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.

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.



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 June 2018, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2018
So David Tat Man	13 July 2015	0.212	14 July 2017 – 13 July 2018	21,375,000	-	-	-	21,375,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	15,600,000	-	-	-	15,600,000
			13 September 2017 – 12 September 2019	15,600,000	-	-	-	15,600,000
			13 September 2018 – 12 September 2019	20,800,000	-	-	-	20,800,000
Lai Yick Fung (Note)	13 July 2015	0.212	14 July 2017 – 13 July 2018	5,000,000	-	-	5,000,000	-
	12 September 2016	0.11	13 September 2016 – 12 September 2019	6,000,000	-	-	6,000,000	-
			13 September 2017 – 12 September 2019	12,000,000	-	-	12,000,000	-
			13 September 2018 – 12 September 2019	16,000,000	-	-	16,000,000	-
Ng Cheuk Fan, Keith	13 July 2015	0.212	14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	12,000,000	-	-	-	12,000,000
			13 September 2017 – 12 September 2019	12,000,000	-	-	-	12,000,000
			13 September 2018 – 12 September 2019	16,000,000	-	-	-	16,000,000
Yick Ting Fai, Jeffrey	13 July 2015	0.212	14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000

Note: Resigned as executive director with effect from 30 March 2018.



Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2018
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000
Zhang Min	13 July 2015	0.212	14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000
Yuen Wai Man	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000

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 June 2018, 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 Division 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:

Name of shareholders	Number of shares of the Company (Corporate Interests)	Number of underlying shares of the Company	Total	Approximate percentage of the issued share capital (Note 1)
Yardey Finance Limited (Note 2)	430,800,000	–	430,800,000	5.90%
Chan Kin Sun (Note 2)	430,800,000	–	430,800,000	5.90%
Chinese Strategic Holdings Limited (Note 3)	306,760,000	94,000,000	400,760,000	5.48%
Rich Best Asia Limited (Note 3)	306,760,000	94,000,000	400,760,000	5.48%

Notes:

- As at 30 June 2018, the Company's issued ordinary share capital was HK146,071,049.76 divided into 7,303,552,488 Shares of HK\$0.02 each.
- These shares were held by Yardley Finance Limited ("Yardley Finance"), a company incorporated in Hong Kong with limited liability. Since Yardley Finance is wholly-owned by Chan Kin Sun, Chan Kin Sun was deemed to be interested in these shares.
- Rich Best Asia Limited ("Rich Best"), a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Chinese Strategic Holdings Limited ("Chinese Strategic Holdings"), the issued shares of which are listed on the GEM of the Stock Exchange. As at 30 June 2018, out of the 400,760,000 shares, 30,000,000 shares were held by Fameway Finance Limited (wholly-owned by Rich Best), 201,660,000 shares were held by Excel Return Enterprises Limited (wholly owned by Chinese Strategic Investment (HK) Limited ("Chinese Strategic Investment") which in turn wholly owned by Rich Best), 25,100,000 shares were held by Sina Winner Investment Limited (wholly owned by Chinese Strategic Investment which in turn wholly owned by Rich Best), 50,000,000 shares were held by Winner Performance Limited (wholly owned by Chinese Strategic Investment which in turn wholly owned by Rich Best), Rich Best is holding convertible bonds in the principal amount of HK\$23,500,000 which can be converted into 94,000,000 new shares of the Company at conversion price of HK\$0.25 per shares. As such, both Chinese Strategic Holdings and Rich Best were deemed to be interested in 400,760,000 shares.

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 June 2018 as recorded in the register required to be kept by the Company under Section 336 of the SFO.



SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 May 2011 (the “Share Option Scheme”). During the Reporting Period, options for 39,000,000 Shares were lapsed and none was granted, exercised nor cancelled. As at 30 June 2018, options for 364,625,000 Shares remained outstanding.

CHANGE IN INFORMATION OF DIRECTOR

Mr. Zhang Min, an independent non-executive director of the Company, was appointed as an executive director of Value Convergence Holdings Limited, a company listed on the Main Board of the Stock Exchange with effect from 25 June 2018.

Save as disclosed above, there is no other change in the Directors information required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules since the date of the annual report of the Company for the year ended 31 December 2017 up to the date of this interim report.

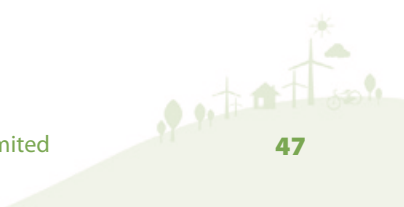
COMPETING INTERESTS

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.

CORPORATE GOVERNANCE

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:

Provision A.2.1 of the CG Code prescribed, among others, the roles of chairman of the Board and chief executive of the Company should be separate and should not be performed by the same individual. Throughout the Reporting Period, the Company did not appoint a chairman of the Board. The Board will keep reviewing the current structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post as appropriate.





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. Yuen Wai Man (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
So David Tat Man
Executive Director

Hong Kong, 8 August 2018

As at the date of this report, the executive Directors are Mr. So David Tat Man and Mr. Ng Cheuk Fan, Keith; and the independent non-executive Directors are Mr. Yick Ting Fai, Jeffrey, Mr. Zhang Min and Ms. Yuen Wai Man.