



# 中國農業生態有限公司 China Eco-Farming Limited

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

## 2019 Third Quarterly 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\$17,949,000 for the nine months ended 30 September 2019 (the “Reporting Period”), representing a decrease of approximately 62.3% as compared with approximately HK\$47,592,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$35,985,000 (nine months ended 30 September 2018: HK\$41,590,000). The basic loss per share of the Company for the nine months ended 30 September 2019 is 4.63 HK cents (nine months ended 30 September 2018: 6.01 HK cents).

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

## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2019 together with the comparative figures for the last corresponding periods.

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

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue	3				
Goods and services		<b>5,347</b>	9,371	<b>14,491</b>	39,046
Rental		<b>792</b>	1,073	<b>2,432</b>	4,264
Interest		<b>296</b>	1,401	<b>1,026</b>	4,282
		<b>6,435</b>	11,845	<b>17,949</b>	47,592
Cost of sales		<b>(4,707)</b>	(7,623)	<b>(10,428)</b>	(32,096)
Gross profit		<b>1,728</b>	4,222	<b>7,521</b>	15,496
Other revenue	3	<b>1,987</b>	1,458	<b>5,221</b>	4,873
Selling and distribution expenses		<b>(280)</b>	(335)	<b>(1,028)</b>	(867)
Administrative expenses		<b>(10,605)</b>	(11,768)	<b>(31,882)</b>	(35,236)
Finance costs	4	<b>(1,421)</b>	(2,191)	<b>(5,148)</b>	(7,690)
Decrease in fair value of investment properties, net		<b>(931)</b>	(1,086)	<b>(931)</b>	(1,086)
Gain on disposal of interest in subsidiaries		<b>31</b>	–	<b>31</b>	–
Share of results of associates		<b>(980)</b>	(915)	<b>(270)</b>	(883)
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss		<b>718</b>	(12,311)	<b>(9,181)</b>	(14,985)
Loss before taxation		<b>(9,753)</b>	(22,926)	<b>(35,667)</b>	(40,378)
Taxation	5	<b>110</b>	(144)	<b>(85)</b>	(302)
Loss for the period		<b>(9,643)</b>	(23,070)	<b>(35,752)</b>	(40,680)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Loss for the period		<b>(9,643)</b>	(23,070)	<b>(35,752)</b>	(40,680)
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		–	(3,113)	<b>(2,477)</b>	(3,381)
Exchange differences arising on translation of foreign operations		<b>(3,876)</b>	(1,484)	<b>(1,606)</b>	1,712
<b>Total comprehensive expense for the period</b>		<b>(13,519)</b>	(27,667)	<b>(39,835)</b>	(42,349)
Gain/(loss) for the period attributable to:					
– Owners of the Company		<b>(9,317)</b>	(23,375)	<b>(35,985)</b>	(41,590)
– Non-controlling interests		<b>(326)</b>	305	<b>233</b>	910
		<b>(9,643)</b>	(23,070)	<b>(35,752)</b>	(40,680)
Total comprehensive expense for the period attributable to:					
– Owners of the Company		<b>(11,061)</b>	(25,448)	<b>(38,706)</b>	(42,031)
– Non-controlling interests		<b>(2,458)</b>	(2,219)	<b>(1,129)</b>	(318)
		<b>(13,519)</b>	(27,667)	<b>(39,835)</b>	(42,349)
			(Restated)		(Restated)
LOSS PER SHARE	7				
Basic and diluted (HK cents)		<b>(1.20)</b>	(3.20)	<b>(4.63)</b>	(6.01)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019 (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	Total \$'000	Non-controlling interests \$'000	Total \$'000
<b>At 1 January 2018</b>	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	-	-	-	-	-	-	-	-	(41,590)	(41,590)	910	(40,680)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(3,381)	-	-	-	-	-	(3,381)	-	(3,381)
Exchange difference arising on translating foreign operations	-	-	-	-	-	2,940	-	-	-	2,940	(1,228)	1,712
Total comprehensive expense for the period	-	-	-	(3,381)	-	2,940	-	-	(41,590)	(42,031)	(318)	(42,349)
Placing of new shares	24,000	72,909	-	-	-	-	-	-	-	96,909	-	96,909
Issue of shares upon settlement of contingent consideration	55	305	-	-	-	-	-	-	152	512	-	512
Recognition of equity-settled share based payments	-	-	-	-	2,527	-	-	-	-	2,527	-	2,527
Share option lapsed during the period	-	-	-	-	(5,191)	-	-	-	5,191	-	-	-
Expiration of conversion option of convertible bonds	-	-	(5,699)	-	-	-	-	-	5,699	-	-	-
<b>At 30 September 2018</b>	<b>146,126</b>	<b>489,623</b>	<b>-</b>	<b>1,683</b>	<b>16,163</b>	<b>(383)</b>	<b>6,026</b>	<b>(764)</b>	<b>(315,906)</b>	<b>342,568</b>	<b>35,264</b>	<b>377,832</b>
<b>At 1 January 2019</b>	7,771	-	-	(16,796)	14,616	(8,694)	6,026	(764)	290,198	300,357	36,616	336,973
Loss for the period	-	-	-	-	-	-	-	-	(35,985)	(35,985)	233	(35,752)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(2,477)	-	-	-	-	-	(2,477)	-	(2,477)
Exchange difference arising on translating foreign operations	-	-	-	-	-	(244)	-	-	-	(244)	(1,362)	(1,606)
Total comprehensive expense for the period	-	-	-	(2,477)	-	(244)	-	-	(35,985)	(38,706)	(1,129)	(39,835)
Share option lapsed during the period	-	-	-	-	(14,616)	-	-	-	14,616	-	-	-
<b>At 30 September 2019</b>	<b>7,771</b>	<b>-</b>	<b>-</b>	<b>(19,273)</b>	<b>-</b>	<b>(8,938)</b>	<b>6,026</b>	<b>(764)</b>	<b>276,829</b>	<b>261,651</b>	<b>35,487</b>	<b>297,138</b>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Organisation and operations

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

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

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

The registered office of the Company is Clarendon House, 2 Church street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company is Room 2002, 20/F, Overseas Trust Bank Building, 160 Gloucester Road, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

During the nine months ended 30 September 2019, 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 nine months ended 30 September 2019 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2018 except for the following amendments and interpretation (“New HKFRSs”) issued by HKICPA which are or shall be in effect.

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 3	Definition of Business <sup>2</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interest In Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>2</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>5</sup> Effective for annual periods beginning on or after a date to be 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 nine months ended 30 September 2019 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue:				
One-stop value chain services	–	5,567	1,930	25,672
Rental income (note (i))	792	1,073	2,432	4,264
Trading of grocery food products	1,141	1,329	3,714	4,452
Trading of consumables and agricultural products	4,206	1,259	7,137	4,018
Provision of money lending services (note (ii))	296	1,401	1,026	4,282
Provision of financial services	–	1,216	1,710	4,904
	<b>6,435</b>	11,845	<b>17,949</b>	47,592
Other revenue (note (iii))	1,987	1,458	5,221	4,873
	<b>8,422</b>	13,303	<b>23,170</b>	52,465

Notes:

(i) Rental income

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Gross rental income	792	1,073	2,432	4,264
Less: outgoings (included in cost of sales)	(5)	(304)	(15)	(694)
Net rental income	<b>787</b>	769	<b>2,417</b>	3,570

(ii) *Provision of money lending services*

Included in interest income from provision of money lending services was interest income of approximately HK\$144,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: HK\$144,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an former executive director of the Company who resigned on 30 September 2017, for aggregate loan amount of HK\$2,400,000 extended in December 2018. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2019.

(iii) *Other revenue*

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest income (note (iv))	991	993	3,039	3,477
Sundry income	996	465	2,182	1,396
	<b>1,987</b>	1,458	<b>5,221</b>	4,873

(iv) *Interest income*

Included in interest income for the nine months ended 30 September 2019 was approximately HK\$3,037,000 (nine months ended 30 September 2018: HK\$3,476,000) charged to Zhonghe Huaxia (Beijing) Investment Consulting Co., Ltd. ("Beijing HX") for a loan amount of approximately HK\$2,700,000 granted on 31 August 2016 and another loan amount of approximately HK\$22,495,000 granted to Beijing HX on 31 August 2017. The loans were interest-bearing with interest rate of 12% and 18% per annum, unsecured and repayable by 31 May 2017 and 31 December 2017 respectively. As at the date of this report, both of loans were still outstanding. 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. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank borrowings (Note (i))	681	43	3,826	141
Interest on loan payable	542	347	676	2,855
Interest on margin loan payable	198	997	646	2,881
Effective interest expense on convertible bonds	–	804	–	1,813
	<b>1,421</b>	2,191	<b>5,148</b>	7,690

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$3,000 for the nine months ended 30 September 2018, 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.

## 5. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax	(110)	144	85	302
Deferred tax	–	–	–	–
Income tax credit recognised in profit or loss	(110)	144	85	302

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018. No EIT is provided for the three months and nine months ended 30 September 2019 and 2018 as the Group did not derive any assessable profit subject to EIT.

The Taiwan Profit-Seeking Enterprise Income Tax is calculated at 17% of the estimated assessable profits for both years. No Profit-Seeking Enterprise Income Tax is provided for the three months and nine months ended 30 September 2019 and 2018 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

## 6. Dividend

The Board does not recommend any payment of interim dividend for the nine months ended 30 September 2019 (2018: nil).

## 7. Loss per share

The calculation of the basic and diluted loss per share attributable to owners of the Company during both the three months and nine months ended 30 September 2019 and 2018 is based on the following data.

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited) (Restated)	2019 (Unaudited)	2018 (Unaudited) (Restated)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	<b>(9,317)</b>	(23,375)	<b>(35,985)</b>	(41,590)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<b>777,132,430</b>	730,493,839	<b>777,132,430</b>	692,160,195

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2019. The computation of diluted loss per share does not assume the exercise of share options to subscribe for additional shares since the exercise of share options would result in an anti-dilutive effect on the basic loss per shares for the three months and nine months ended 30 September 2019.

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2018. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of share options to subscribe for additional shares as at 30 September 2018 since their conversion would result in an anti-dilutive effect on the basic loss per share for the three months and nine months ended 30 September 2018.

## 8. Events after the Reporting Period

On 29 October 2019, the Vendor, an indirect non-wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Properties located in Shenzhen City, Guangdong Province, the PRC, at the Consideration of RMB69,449,988 (equivalent to approximately HK\$76,929,752).

The Properties comprise commercial premises situated at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC with a total gross floor area of approximately 1,690 sq.m. Further details of the disposal is set out in the announcement of the Company dated 29 October 2019.

On 20 September 2019, the Company entered into the placing agreement with a placing agent who would place on a best effort basis of a maximum of 155,426,486 placing shares under general mandate of the Company at HK\$0.055 per placing shares. The placing was completed on 31 October 2019. Net proceeds from the placing are expected to be approximately HK\$8.4 million and will be used as general working capital and for repayment of loans. Details are set out in the announcements issued by the Company on 20 September 2019 and 31 October 2019.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

During the nine months ended 30 September 2019 (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\$1,930,000 (nine months ended 30 September 2018: HK\$25,672,000) representing a decrease of approximately 92.5% as compared with the last corresponding period.

The significant decrease was due to decrease in purchase orders from customers and some purchase orders were not accepted by suppliers.

#### **Property Investment**

During the Reporting Period, the property investment segment reported revenue of approximately HK\$2,432,000 (nine months ended 30 September 2018: HK\$4,264,000), representing a decrease of approximately 43.0% as compared with last corresponding period. The decrease was due to less commercial office space were leased out. At 30 September 2019, the Group held properties in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$167,177,000 (31 December 2018: HK\$169,800,000).

The demands in the property markets in Hong Kong, Taiwan and the PRC are considered stable in general. The Group will continue to review and optimise the portfolio holding of the investment properties with the aim of maximising its returns. During the Reporting Period, the Group has disposed certain investment properties in Fuzhou, the PRC.

#### **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\$3,714,000 (nine months ended 30 September 2018: HK\$4,452,000), representing a decrease of approximately 16.6% as compared with the last corresponding period.

The trademark licence agreement and the sole distributorship agreement were renewed for a period of 3 years on 25 March 2019. Details of the renewal was disclosed in the announcement of the Company date at 25 March 2019.

### **Trading of consumables and agricultural products**

During the Reporting Period, the trading of consumables and agricultural products segment generated revenue of approximately HK\$7,137,000 (nine months ended 30 September 2018: HK\$4,018,000), representing an increase of approximately 77.6% as compared with last corresponding period.

This business segment is mainly composed of re-usable bags trading business and bulk commodities trading in resin plastics (ABS) and polyethylene (PE) which commenced this year.

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

During the Reporting Period, this segment reported a revenue of approximately HK\$1,026,000 (nine months ended 30 September 2018: HK\$4,284,000), representing a decrease of approximately 76.1% 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 period ended 30 September 2019, the Group has two operating subsidiaries, China AF Asset Management Limited, a company holding Type 4 (advising on securities) and Type 9 (asset management) licences under Securities and Futures Commission (the "SFC"), and China AF Corporate Finance Limited, a company holding Type 6 (advising on corporate finance) licence under the SFC. This segment reported a revenue for the period ended 30 September of 2019 of HK\$1,710,000 (nine months ended 30 September of 2018: HK\$4,904,000) representing a decrease of approximately 65.1% as compared to the last corresponding period. The decrease was mainly due to the corporate finance division was only working on existing mandates. No new mandate can be entered into due to the lack of sufficient responsible officer. Due to current market conditions, China AF Corporate Finance Limited has made an application to SFC to revoke its licence in September 2019.

## Securities investments

The Group had available-for-sale investments and financial assets at fair value through profit or loss in aggregate of approximately HK\$32,323,000 as at 30 September 2019, representing approximately 7.71% of the Company's total assets (31 December 2018: approximately HK\$52,346,000, representing approximately 11.65% 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 September 2019 and 31 December 2018:

### For the nine months ended 30 September 2019 and year ended 31 December 2018

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		Dividends received	
	For the period ended	For the year ended	For the period ended	As at	For the period ended	As at	For the period ended	As at	For the period ended	As at	For the period ended	As at	For the period ended	As at
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
Approximately HK\$'000	Approximately HK\$'000			Approximately	Approximately	Approximately HK\$'000	Approximately HK\$'000	Approximately	Approximately	Approximately HK\$'000	Approximately HK\$'000	Approximately HK\$'000	Approximately HK\$'000	
<b>Financial assets at fair value through profit or loss</b>														
Others (Note 1)	15,074	26,281	N/A	N/A	N/A	N/A	10,481	20,362	2.50%	4.53%	(7,516)	(20,486)	283	968
	15,074	26,281					10,481	20,362	2.50%	4.53%	(7,516)	(20,486)	283	968
<b>Equity instruments at fair value through other comprehensive income</b>														
China Industrial Securities International Financial Group Limited (Note 2)	-	8,422	-	8,668,451	-	0.22%	-	10,142	N/A	2.26%	(1,664)	2,512	-	401
Anhui Damingyuan Tourism Development Company Limited (安徽大明園旅遊發展股份有限公司) (Note 3)	40,005	40,005	11,250,000	11,250,000	4.99%	4.99%	21,833	21,833	5.20%	4.85%	-	(18,172)	-	-
Others (Note 4)	1,111	1,111	N/A	N/A	N/A	N/A	9	9	0.01%	0.01%	-	(1,102)	-	-
	41,116	49,538					21,842	31,894	5.21%	7.12%	(1,664)	(16,762)	-	401
<b>Total</b>	<b>56,190</b>	<b>75,819</b>					<b>32,323</b>	<b>52,346</b>	<b>7.71%</b>	<b>11.65%</b>	<b>(9,180)</b>	<b>(37,248)</b>	<b>283</b>	<b>1,369</b>



*Notes:*

1. These are all listed companies on the Stock Exchange for the year ended 30 September 2019, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services and cryptocurrency mining business, the provision of auction of alcoholic beverages business, provision of QR codes on product packaging and solutions and online advertising display services, the manufacture and sale of packaging products, trading in securities and money lending, properties investments, loan financing, trading business and advising on securities, asset management and futures and options broking.
  2. 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.
  3. 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.
  4. 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.
- \* For identification purposes only

## FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$17,949,000 (nine months ended 30 September 2018: HK\$47,592,000), representing a decrease of approximately 62.3% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$10,428,000 (nine months ended 30 September 2018: HK\$32,096,000), representing a decrease of approximately 67.5% as compared with the last corresponding period. The decrease was in line with the decrease in gross profit during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$31,882,000 (nine months ended 30 September 2018: HK\$35,236,000), representing a decrease of approximately 9.5% as compared with the last corresponding period. This decrease was mainly due to decrease of share based payment of approximately HK\$2,459,000.

Finance costs for the Reporting Period was approximately HK\$5,148,000 (nine months ended 30 September 2018: HK\$7,690,000), representing an decrease of approximately 33.1% as compared with the last corresponding period. The decrease was mainly due to the decrease of interest paid and payable for the secured loans and margin loan and effective interest expense on convertible bonds.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$35,985,000 (nine months ended 30 September 2018: HK\$41,590,000). The basic loss per share of the Company for the nine months ended 30 September 2019 is 4.63 HK cents (nine months ended 30 September 2018: 6.01 HK cents).

### Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 September 2019, the bank balances and cash of the Group was approximately HK\$4,139,000 (31 December 2018: approximately HK\$17,870,000).

At 30 September 2019, the net assets of the Group was approximately HK\$297,138,000 (31 December 2018: HK\$336,973,000) and the net current assets was approximately HK\$2,885,000 (31 December 2018: HK\$38,100,000).

## Capital Structure

As at 30 September 2019, the Company's issued ordinary share capital with an aggregate nominal value of HK\$7,771,324.30 is divided into 777,132,430 ordinary shares of HK\$0.01 each ("Shares") (31 December 2018: HK\$7,771,324.30 divided into 777,132,430 Shares).

## Fund Raising Activities

### ***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.

Conversion Bond IV expired on 30 September 2018 and the Company received a redemption notice from the Convertible Bond IV holder for the principal amount of HK\$23,500,000. HK\$3,500,000 remained outstanding as at the date of this report.

### **Placing of new shares**

On 20 February 2018, the Company entered into the 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 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 ("Placing II"). 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:

<b>Period under review</b>	<b>Aggregate amount used during the period under review</b>	<b>Purpose of usage</b>	<b>Remaining balance of placing proceeds as the last date of the period under review</b>
Since completion of placing on 29 March 2018 up to and including 30 September 2019	HK\$20 million HK\$23.9 million HK\$44.5 million HK\$5.0 million	Redemption of Convertible Bond Repayment of other debts Partial repayment of loan General working capital	HK\$3.5 million Nil Nil Nil

On 20 September 2019, the Company entered into the placing agreement with a placing agent who would place on a best effort basis of a maximum of 155,426,486 placing shares under general mandate of the Company at HK\$0.055 per placing shares. The placing was completed on 31 October 2019. Net proceeds from the placing are expected to be approximately HK\$8.4 million and will be used as general working capital and for repayment of loans. Details are set out in the announcements issued by the Company on 20 September 2019 and 31 October 2019.

## **Significant Investments, Acquisitions and Disposal of investment properties**

### ***Disposal of investment properties***

On 30 August 2019 and 3 September 2019, the Group entered into and signed seven sale and purchase agreements with independent third parties to dispose seven of the investment properties held by the Group which are all located in the PRC with fair value of approximately RMB2,304,000 (equivalent to approximately HK\$2,623,000) as at 31 December 2018. Such properties were classified as Investment Properties in the consolidated statement of financial position as at 31 December 2018. The transactions were completed on 30 August and 3 September 2019 with a loss of disposal between the sale proceeds over the costs of acquisition of approximately HK\$931,000.

On 10 August 2018 and 26 October 2018, the Group entered into and signed two sale and purchase agreements with an independent third party to dispose of three of the investment properties held by the Group which are all located in the PRC with fair value of approximately RMB9,330,000 (equivalent to approximately HK\$11,186,000) as at 31 December 2017. Such properties were classified as Investment Properties in the consolidated statement of financial position as at 31 December 2017. The transactions were completed on 30 September 2018 and 31 October 2018 with a loss of disposal between the sale proceed over the cost of acquisition of approximately HK\$3,177,000.

***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 of the above payment has been paid.

On 17 January 2018, the parties had entered into a second supplemental agreement whereas the timing of payment of the balance of HK\$35,000,000 was extended from 17 January 2018 to 17 January 2019. On 19 March 2019, the parties had entered into a third supplemental agreement whereas the Long Stop Date has been extended from 17 January 2019 to 31 March 2020 and payment of the remaining balance shall be paid by one or several instalments on or before the Date of Completion. As at 30 September 2019, the amount of HK\$12,224,809 remained outstanding.

#### ***Acquisition of Max Joint Asia Pacific (China) Limited***

On 27 August 2018, Guo Weifu as the Vendor, King Noble Holdings Limited as the Purchaser, an indirect wholly-owned subsidiary of the Company and the Company entered into the sale and purchase agreement. Under and pursuant to the terms and conditions of 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 entire issued capital of Max Joint Asia Pacific (China) Limited, at the Consideration of HK\$46,500,000.

Upon Completion and subject to audit, the Target Company and its wholly-owned subsidiaries are expected to be accounted for as indirect wholly-owned subsidiaries of the Company, and Higuren Agricultural and its subsidiary are expected to be accounted for as investments to the Company.

At Completion, the Company shall, and the Purchaser shall procure the Company to, allot and issue 465,000,000 new Shares at the Issue Price out of the General Mandate and free from any encumbrance whatsoever to and in favour of the Vendor for full and final settlement and discharge of the Consideration.



The Target Company is an investment holding company incorporated in Hong Kong with limited liability, which holds 15% equity interest in Higreen Agricultural Product Logistics Company Limited (“Higreen Agricultural”). Higreen Agricultural is established in PRC with limited liability. It operates a large-scale agricultural products logistics center in Bengbu of Anhui Province, PRC for wholesale of agricultural products, which also handles processing, packaging, storage, direct selling, delivery, auction, e-commerce, food safety testing and central settlement. Upon Completion, Higreen Agricultural shall be held as to 15% indirectly by the Company.

The acquisition has been completed on 25 October 2018. An aggregate of 465,000,000 consideration share were allotted and issued at the issue price of HK\$0.10 each.

### ***Disposal of Shenzhen City Jintaiyuan Investment Development Company Limited***

On 29 November 2018, Shenzhen City Chenqi Enterprise Consultancy Management Company Limited (“Chenqi”), an indirect wholly-owned subsidiary of the Company, and the transferee, an independent third party, entered into the equity transfer agreement pursuant to which the Chenqi has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Shenzhen City Jintaiyuan Investment Development Company Limited (“Jintaiyuan”) at the consideration of RMB21,000,000 (being approximately HK\$23,635,500).

Jintaiyuan is an investment holding company incorporated in the PRC with limited liability, which holds 15% equity interest in Bengbu Higreen Agricultural Product Logistics Company Limited\* (蚌埠海吉星農產品物流有限公司) (“Higreen Agricultural”).

On 14 December 2018, the Transferee and the Chenqi entered into a memorandum in relation to the disposal. According to the Equity Transfer Agreement, the Transferee is obligated to pay a total consideration of RMB21,000,000 upon the completion date. As at the date of this announcement the Transferee has already paid the Chenqi a total of RMB14,000,000. The final payment of RMB7,000,000 was to be paid on the equity change registration completion date. The equity change registration completion date took place on 11 December 2018. At the request of the Transferee and after arm’s length negotiations between the Parties, the Parties have entered into the memorandum to extend the final payment of RMB7,000,000 to be paid within six months upon the signing of the memorandum.

### **Disposal of subsidiaries**

During the Reporting Period, the Group has disposed two subsidiaries. Net assets of the subsidiaries being disposed of at the date of disposal were as follows:

HK\$'000

#### **Consideration received:**

Cash received	100
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#### **Net liabilities disposed of:**

Amount due to immediate holding company	(1)
Amount due to fellow subsidiaries	(79)
Non-controlling interests	11
	(69)
Gain on disposal	31

–

#### **Satisfied by:**

Cash consideration	100
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### **Charges on Group's Assets**

As at 30 September 2019, the Group had charges on one of its investment properties in Taiwan, to obtain a mortgage financing from a bank in Taiwan of approximately HK\$7,773,000 (31 December 2018: HK\$8,230,000). Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$10,481,000 (31 December 2018: HK\$18,199,000). Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from money lenders in PRC and Hong Kong of approximately HK\$96,975,000 (31 December 2018: HK\$17,386,000).

### **Contingent Liabilities**

As at 30 September 2019, the Group did not have any material contingent liabilities (31 December 2018: nil).

## **Capital Commitments**

As at 30 September 2019, the Group had capital commitment amounting to approximately HK\$10,000,000 (31 December 2018: HK\$20,000,000).

## **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.

## **OUTLOOK**

Looking ahead, the global economy was still clouded by trade wars and trade protectionism. In addition to social unrest locally, 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 has dropped significantly as compared to last corresponding period. Nevertheless, the Group is still working on improvement plan.

### **Property investment**

The Group will continue monitor its property investment portfolio and strategy to cope with the changing market conditions. In view of the current market environment and business prospects of the property market in the PRC, and having regard to the uncertain business operation environment of the property leasing market in the PRC, the Group is looking at disposing certain investment properties in the PRC.

### **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 and bulk commodities trading of plastic products. The business segment demonstrates potential and the Group is optimistic about its future contribution.

### **Trading of grocery food 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 is re-visiting its 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 advising on securities and asset management services, and advising on corporate finance services. Due to current market situation, the Group has ceased the operation of advising on corporate finance services. However, the Group is hoping that advising on securities and asset management services will make positive contribution to the Group's revenue and profit.

### **Other Developing Business**

The Group has conducted the business of bulk commodities trading in the first half of this year, and the products are mainly resin plastics (ABS) and polyethylene plastics (PE). The management of the Company considered that under the current uncertain economic environment, conducting the new business of bulk commodities trading can disperse risks and diversify the businesses of the Group. At the same time, the management of the Company also actively identifies plastic related business opportunities to create value for the shareholders and ensure the maximization of the interests of the shareholders.

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

As at 30 September 2019, 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 2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2019
So David Tat Man	12 September 2016	1.10	13 September 2016 – 12 September 2019	1,560,000	-	-	(1,560,000)	-
			13 September 2017 – 12 September 2019	1,560,000	-	-	(1,560,000)	-
			13 September 2018 – 12 September 2019	2,080,000	-	-	(2,080,000)	-
Ng Cheuk Fan, Keith	12 September 2016	1.10	13 September 2016 – 12 September 2019	1,200,000	-	-	(1,200,000)	-
			13 September 2017 – 12 September 2019	1,200,000	-	-	(1,200,000)	-
			13 September 2018 – 12 September 2019	1,600,000	-	-	(1,600,000)	-
Yick Ting Fai, Jeffrey	12 September 2016	1.10	13 September 2016 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2017 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2018 – 12 September 2019	200,000	-	-	(200,000)	-

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2019
Zhang Min	12 September 2016	1.10	13 September 2016 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2017 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2018 – 12 September 2019	200,000	-	-	(200,000)	-
Yuen Wai Man	12 September 2016	1.10	13 September 2016 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2017 – 12 September 2019	150,000	-	-	(150,000)	-
			13 September 2018 – 12 September 2019	200,000	-	-	(200,000)	-

## 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 September 2019, 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)
Yardley Finance Limited (Note 2)	43,080,000	–	43,080,000	5.54%
Chan Kin Sun (Note 2)	43,080,000	–	43,080,000	5.54%

#### Notes:

1. As at 30 September 2019, the Company's issued ordinary share capital was HK\$7,771,324.30 divided into 777,132,430 Shares of HK\$0.01 each.
2. 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.

Save for disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 30 September 2019 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 to subscribe for 30,325,000 Shares were lapsed, and none was granted nor cancelled. As at 30 September 2019, none of the options to subscribe remained outstanding.

## **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, 11 November 2019

*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.*