



中國農業生態有限公司 China Eco-Farming Limited

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



FIRST
QUARTERLY
REPORT
2020



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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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, the “Group”) recorded an unaudited revenue of approximately HK\$5,681,000 for the three months ended 31 March 2020, representing a decrease of approximately 6.7% as compared with approximately HK\$6,088,000 for the corresponding period in 2019.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2020 was approximately HK\$9,282,000 (three months ended 31 March 2019: HK\$11,820,000). The basic loss per share of the Company for the three months ended 31 March 2020 was HK1.0537 cents (three months ended 31 March 2019: HK1.5210 cents).

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2020.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2020 together with the comparative figures for the corresponding period in 2019.

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

(Expressed in Hong Kong dollars)

		For the three months ended 31 March	
	NOTES	2020 \$'000	2019 \$'000
Revenue	3		
Goods and services		5,078	4,922
Rental		263	825
Interest		340	341
		5,681	6,088
Cost of sales		(3,944)	(3,637)
Gross profit		1,737	2,451
Other revenue	3	88	1,073
Selling and distribution expenses		(398)	(452)
Administrative expenses		(10,410)	(12,245)
Share of result of associates		(625)	938
Finance costs	4	(1,003)	(1,549)
(Loss)/Gain from changes in fair value of financial asset at fair value through profit or loss		831	(1,913)
Loss before taxation		(9,780)	(11,697)
Taxation	5	(46)	(10)
Loss for the period		(9,826)	(11,707)

		For the three months ended 31 March	
	<i>NOTES</i>	2020 \$'000	2019 \$'000
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of available-for-sale investments		(1,663)	(2,477)
Exchange differences on translation of foreign operation		5,630	5,626
Other comprehensive income/(expense) for the period		3,967	3,149
Total comprehensive expense for the period		(5,859)	(8,558)
(Loss)/gain for the period attributable to:			
Owners of the Company		(9,282)	(11,820)
Non-controlling interests		(544)	113
		(9,826)	(11,707)
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		(7,365)	(11,286)
Non-controlling interests		1,506	2,728
		(5,869)	(8,558)
Loss per share			(Restated)
Basic and diluted (<i>HK cents</i>)	7	(1.0537)	(1.5210)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital \$'000	Share premium \$'000	Contributed surplus \$'000	Investment revaluation reserve \$'000	Share option reserve \$'000	Translation reserve \$'000	Special reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total \$'000		
At 1 January 2019	7,771	-	-	(16,796)	14,616	(8,694)	6,026	(764)	298,198	300,357	36,616	336,973
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(11,820)	(11,820)	113	(11,707)
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	-	-	-	-	-	3,011	-	-	-	3,011	2,615	5,626
Other comprehensive (expense)/income for the period	-	-	-	(2,477)	-	3,011	-	-	-	534	2,615	3,149
Total comprehensive (expense)/income for the period	-	-	-	(2,477)	-	3,011	-	-	(11,820)	(11,286)	2,728	(8,558)
At 31 March 2019	7,771	-	-	(19,273)	14,616	(5,683)	6,026	(764)	286,378	289,071	39,344	328,415
At 1 January 2020	9,325	6,909	650,298	(28,946)	-	(16,594)	6,026	(746)	(440,155)	186,117	36,474	222,591
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(9,282)	(9,282)	(544)	(9,826)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(1,663)	-	-	-	-	-	(1,663)	-	(1,663)
Exchange difference arising on translating foreign operations	-	-	-	-	-	3,580	-	-	-	3,580	2,050	5,630
Other comprehensive (expense)/income for the period	-	-	-	(1,663)	-	3,580	-	-	-	1,917	2,050	3,967
Total comprehensive (expense)/income for the period	-	-	-	(1,663)	-	3,580	-	-	(9,282)	(7,365)	1,506	(5,859)
At 31 March 2020	9,325	6,909	650,298	(30,609)	-	(13,014)	6,026	(746)	(449,437)	178,752	37,980	216,732

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operation

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

The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited since 5 February 2002.

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

The addresses of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is Room 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 three months ended 31 March 2020, 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\$.

2. Principal accounting policies and basis of preparation

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

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the three months ended 31 March 2020 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2019 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of Business ²
Amendments to HKAS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

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

³ *Effective for annual periods beginning on or after a date to be determined.*

⁴ *Effective for annual periods beginning on or after 1 January 2020.*

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

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

3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the period is as follows:

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue:		
Trading of grocery food products	1,672	1,415
Trading of consumables and agricultural products	1,375	1,559
Rental income (note (i))	263	825
Provision of money lending services (note (ii))	340	341
One-stop value chain services	2,031	1,508
Provision of financial services	-	440
	5,681	6,088
Other revenue (note (iii))	88	1,073
	5,769	7,161

Note:

(i) Rental income

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gross rental income	263	825
Less: outgoings (included in cost of sales)	(3)	(5)
Net rental income	260	820

(ii) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$48,000 for the three months ended 31 March 2020 (three months ended 31 March 2019: HK\$47,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an executive director of the Company and resigned on 30 September 2017, for aggregate loan amount of HK\$2,400,000 extended in December 2019. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2020.

(iii) Other revenue

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income (note (iv))	88	974
Sundry income	-	99
	88	1,073

(iv) Interest income

Included in interest income are approximately HK\$88,000 for the three months ended 31 March 2020 (three months ended 31 March 2019: HK\$1,078,000), 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. Finance costs

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on borrowings (note (i))	621	1,186
Interest on other payables	39	121
Interest on margin loans payables	207	242
Interest on lease liabilities	136	-
	1,003	1,549

Note:

(i) Interest on loans payable

Included in interest on loans payable were interest expenses of approximately HK\$8,000 for the three months ended 31 March 2020, payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$1,100,000 granted in December 2019. The loan was interest-bearing with interest rate of 10% per annum and fully repaid by 24 January 2020.

5. Taxation

	For the three months ended 31 March	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax	46	10
Deferred tax	-	-
Income tax credit recognised in profit or loss	46	10

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 PRC 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 ended 31 March 2020 and 2019 as the Group did not derive any assessable profit subject to EIT.

The Taiwan Profit-Seeking Enterprise Income Tax is calculated at 17% of the estimated assessable profits for both years. No Profit-Seeking Enterprise Income Tax is provided for the three months ended 31 March 2020 and 2019 as the Group did not derive any assessable profit subject to Profit-Seeking Enterprise Income Tax.

6. Dividend

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2020 (2019: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2020 and 2019 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$9,282,000 (2019: HK\$11,820,000) and the weighted average of 932,552,430 (2019: 777,132,430) ordinary shares of HK\$0.01 (2019: HK\$0.01) each in issue during the three months ended 31 March 2020 and 31 March 2019.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2020 and 31 March 2019. The computation of diluted loss per share does not assume the conversion/exercise of Company's outstanding convertible bonds and options to subscribe for additional shares since their conversion/exercise would result in an anti-dilutive effect on the basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the three months ended 31 March 2020 (the “Reporting Period”), the Group has been 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.

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\$1,672,000 (three months ended 31 March 2019: HK\$1,415,000), representing an increase of approximately 18.2% 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 a revenue of approximately HK\$1,375,000 (three months ended 31 March 2019: HK\$1,559,000), representing a decrease of approximately 11.8% as compared with the 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.

Property Investment

During the Reporting Period, this business segment reported a revenue of approximately HK\$263,000 (three months ended 31 March 2019: HK\$825,000), representing a decrease of approximately 68.1% as compared with the last corresponding period. The decrease was mainly due to less office spaces were leased out. At 31 March 2020, the Group held properties in the People’s Republic of China (“PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$136,793,000 (31 December 2019: HK\$136,793,000).

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 optimize the portfolio holding of the investment properties with the aim of maximising its returns.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$340,000 (three months ended 31 March 2019: HK\$341,000), representing a decrease of approximately 0.3% as compared with the last corresponding period. With majority of the loans secured by properties or company shares, the Group will continue to maintain sound credit policy to balance the finance income against credit risk from respective borrowers.

One-stop Value Chain Services

During the Reporting Period, the one-stop value chain business of the Group generated a revenue of approximately HK\$2,031,000 (three months ended 31 March 2019: HK\$1,508,000), representing an increase of approximately 34.7% as compared with the last corresponding period.

Provision of financial services

During the period ended 31 March 2020, this segment has a licensed subsidiary, 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"). This segment also provides financial consultancy services. This segment reported a revenue for the period ended 31 March of 2020 of HK\$Nil (three months ended 31 March of 2019: 440,000). The decrease was mainly due to the corporate finance division operating under the name of China AF Corporate Finance Limited ceased to operate and has made an application to SFC to revoke its licence in September 2019.

Securities investments

The Group had equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss in aggregate of approximately HK\$24,129,000 as at 31 March 2020, representing approximately 6.36% of the Company's total assets (31 December 2019: approximately HK\$17,256,000, representing approximately 4.86% 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 31 March 2020 and 31 December 2019:

For the three months ended 31 March 2020 and year ended 31 December 2019

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	
	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019	As at 31 March 2020	As at 31 December 2019
	Approximately				Approximately		Approximately		Approximately		Approximately		Approximately	
	HK\$'000						HK\$'000				HK\$'000		HK\$'000	
Financial assets at fair value through profit or loss														
Others (Note 1)	13,573	13,265	N/A	N/A	N/A	N/A	14,558	7,685	3.84%	2.16%	831	(10,077)	-	283
	13,573	13,265					14,558	7,685	3.84%	2.16%	831	(10,077)	-	283
Equity instruments at fair value through other comprehensive income														
Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司) (Note 2)	9,571	21,833	11,250,000	11,250,000	4.99%	4.99%	9,571	9,571	2.52%	2.70%	-	(12,262)	-	-
Others (Note 3)	-	-	N/A	N/A	N/A	N/A	-	-	-%	-%	-	(3,379)	-	-
	9,571	21,833					9,571	9,571	2.52%	2.70%	-	(15,641)	-	-
Total	23,144	35,098					24,129	17,256	6.36%	4.86%	831	(25,718)	-	283

Notes:

1. These are all listed companies on the Stock Exchange for the year ended 31 March 2020, together with their subsidiaries are mainly engaged in sales of alcoholic beverages, the provision of financial services, the provision of blockchain services, the provision of loan financing services, 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, investments and trading in securities, money lending, properties investments, securities trading, trading business and dealing in, advising on securities and asset management, futures and options broking, EPC and consultancy operations, financing and solar power generation, provision of secured financing services and microfinance services, shipping and logistics, design manufacture, supply and installation of passenger vehicle leather upholstery, supply and installation of vehicle electronic accessories.
2. 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.
3. 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. The 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 a revenue of approximately HK\$5,681,000 (three months ended 31 March 2019: approximately HK\$6,088,000), representing a decrease of approximately 6.7% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$3,944,000 (three months ended 31 March 2019: approximately HK\$3,637,000), representing an increase of approximately 8.4% as compared with the last corresponding period. The increase of cost of sales was in line with the increase of revenue of one-stop value chain services during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$10,410,000 (three months ended 31 March 2019: approximately HK\$12,245,000), representing a decrease of approximately 15.0% as compared with the last corresponding period. This decrease was mainly due to the decrease of legal and professional fees of approximately HK\$1,239,000.

Finance costs for the Reporting Period was approximately HK\$1,003,000 (three months ended 31 March 2019: approximately HK\$1,549,000), representing a decrease of approximately 35.2% as compared with the last corresponding period. The decrease was mainly due to decrease of interest paid and payable for the secured loans and margin loans.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$9,282,000 (three months ended 31 March 2019: approximately HK\$11,820,000). The basic loss per share of the Company for the Reporting Period was HK1.0537 cents (three months ended 31 March 2019: HK1.5210 cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 31 March 2020, the cash and cash equivalents of the Group was approximately HK\$3,034,000 (31 December 2019: approximately HK\$2,416,000).

At 31 March 2020, the net assets of the Group was approximately HK\$216,732,000 (31 December 2019: approximately HK\$222,591,000) and the net current assets was approximately HK\$45,143,000 (31 December 2019: approximately HK\$70,757,000).

Capital Structure

As at 31 March 2020, the Company's issued ordinary share capital was HK\$9,325,524.30 divided into 932,552,430 ordinary shares of HK\$0.01 each ("Share(s)") (31 December 2019: HK\$9,325,524.30 divided into 932,552,430 ordinary shares of HK\$0.01 each ("Share(s)").

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. The directors of the Company considered the JV Company is the subsidiary of the Company in accordance with HKFRS10 Consolidated Financial Statement.

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 partial 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) (i) the convertible bonds (“Convertible Bond-III”) in the principal amount of HK\$23,000,000; and (ii) 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 & Convertible Bond-IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of Convertible Bond-III & 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 Company had 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. Convertible 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 as at the date of this report HK\$3,500,000 remained outstanding.

Placing of new shares

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.

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 31 October 2019 up to and including 31 March 2020	HK\$8.4 million	Repayment of loans and general working capital	Nil

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 31 March 2020	HK\$20 million	Redemption of Convertible Bond	HK\$3.5 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

Significant Investments, Acquisitions and Disposal

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\$77,325,617 based on the exchange rate note of RMB1 to HK\$1.1134 quoted on 31 January 2020).

Please refer to the announcements of the Company dated 29 October 2019, 19 November 2019, 19 December 2019, 17 January 2020, 12 February 2020, 24 February 2020, 25 February 2020 and 10 March 2020 and circular of the Company dated 23 March 2020.

The Disposal constitutes a very substantial disposal of the Company under the GEM Listing Rules. A special general meeting was held on 9 April 2020, the Disposal was duly passed by the shareholders by way of poll.

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 net increase in fair value of approximately HK\$879,000.

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. As at the date of this report, HK\$20,000,000 of the above part 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. On 31 March 2020, the parties had entered into a fourth supplemental agreement whereas the Long Stop Date and deadline of Completion have been extended from 31 March 2020 to 30 September 2020. As at the date of this report, the amount of HK\$12,750,734 remained outstanding.

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. The final payment was subsequently settled.

Charges on Group’s Assets

As at 31 March 2020, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$7,471,000 (31 December 2019: HK\$7,608,000). Investments held for trading have been pledged to brokers’ account to obtain a margin loan financing of approximately HK\$7,554,000 (31 December 2019: HK\$6,012,000).

Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from money lenders in the PRC and Hong Kong of approximately HK\$21,158,000 (31 December 2019: HK\$21,158,000).

Contingent Liabilities and Guarantee

As at 31 March 2020, the Group has provided financial guarantee to Gold Wide Holdings Limited, which is classified as an interest in associate in the financial statements of the Group, for a term loan with a principal amount of RMB13,000,000, bearing interest of 8% per annum for a period of three years up to 14 January 2022. (31 December 2019: RMB13,000,000).

Capital Commitments

As at 31 March 2020, the Group had capital commitment amounting to approximately HK\$10,000,000 (31 December 2019: HK\$10,000,000).

Exposure to Fluctuation in Exchange Rates

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

OUTLOOK AND PROSPECTS

Looking ahead, the global economic activities will continue being affected by the COVID-19 pandemic for some time. Apart from that, local economy is also being affected by regional social unrest, the Sino-US trade negotiations and fluctuation in oil price. However, the Group will continue allocating its resources carefully in different segments as to optimize its investment returns.

One-stop value chain services

The Group noticed that the performance of this segment has improved as compared to last corresponding period. Revenue from this segment took a turn for the better in the last quarter of 2019. However, due to the outbreak of the COVID-19, this segment was expected to be severely affected. The Group will continue to operate this segment cautiously. When opportunities arise, the Group will consider diversifying the business of this segment into other related fields.

Property investment

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.

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 and bulk commodities trading in resin plastics (ABS) and polyethylene (PE). It is inevitably this segment will also affected by the COVID-19 pandemic. However, this 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. However, the Group will also look into other grocery food products to enlarge the product range.

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 a licensed subsidiary providing advising on securities and asset management services, the Group also provides financial consultancy services. The Group is still hoping that this segment can 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 2019, 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 31 March 2020, 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.

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

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 31 March 2020, 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 (Personal Interests)	Number of shares of the Company (Corporate Interests)	Total	Approximate percentage of the issued share capital (Note 1)
Ng Kwok Wai	99,980,000	–	99,980,000	10.72%
So Chi Ming (Note 2)	48,316,000	–	48,316,000	5.18%

Notes:

1. As at 31 March 2020, the Company's issued ordinary share capital was HK\$9,325,524.30 divided into 932,552,430 Shares of HK\$0.01 each.
2. So Chi Ming is uncle of So David Tat Man, an executive director of the Company.

Save as disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 31 March 2020 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, no share options was granted under the Share Option Scheme.

COMPETING INTERESTS

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

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 the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Ms. Yuen Wai Man (Chairman), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2020 have been reviewed by the members of the Audit Committee.

By Order of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

Hong Kong, 12 May 2020

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.