



中國農業生態有限公司
China Eco-Farming Limited

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

Third 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.

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

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

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\$19,855,000 for the nine months ended 30 September 2020 (the “Reporting Period”), representing an increase of approximately 10.6% as compared with approximately HK\$17,949,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$19,657,000 (nine months ended 30 September 2019: HK\$35,985,000). The basic loss per share of the Company for the nine months ended 30 September 2020 is 2.11 HK cents (nine months ended 30 September 2019: 4.63 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 2020 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	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Revenue	3				
Goods and services		6,813	5,347	18,547	14,491
Rental		2	792	263	2,432
Interest		339	296	1,045	1,026
		7,154	6,435	19,855	17,949
Cost of sales		(4,812)	(4,707)	(14,846)	(10,428)
Gross profit		2,342	1,728	5,009	7,521
Other revenue	3	758	1,987	1,120	5,221
Selling and distribution expenses		(312)	(280)	(994)	(1,028)
Administrative expenses		(4,805)	(10,605)	(24,223)	(31,882)
Finance costs	4	(743)	(1,421)	(2,600)	(5,148)
Decrease in fair value of investment properties, net		–	(931)	–	(931)
Gain on disposal of interest in subsidiaries		2,758	31	3,436	31
Share of results of associates		1,337	(980)	1,125	(270)
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss		730	718	(1,003)	(9,181)
Gain/(loss) before taxation		2,065	(9,753)	(18,130)	(35,667)
Taxation	5	16	110	(1,460)	(85)
Gain/(loss) for the period		2,081	(9,643)	(19,590)	(35,752)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gain/(loss) for the period		2,081	(9,643)	(19,590)	(35,752)
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		–	–	–	(2,477)
Exchange differences arising on translation of foreign operations		(773)	(3,876)	2,034	(1,606)
Total comprehensive income/ (expense) for the period		1,308	(13,519)	(17,556)	(39,835)
Gain/(loss) for the period attributable to:					
– Owners of the Company		2,247	(9,317)	(19,657)	(35,985)
– Non-controlling interests		(166)	(326)	67	233
		2,081	(9,643)	(19,590)	(35,752)
Total comprehensive income/(expense) for the period attributable to:					
– Owners of the Company		1,313	(11,061)	(18,910)	(38,706)
– Non-controlling interests		(5)	(2,458)	1,354	(1,129)
		1,308	(13,519)	(17,556)	(39,835)
GAIN/(LOSS) PER SHARE	7				
Basic and diluted (<i>HK cents</i>)		0.24	(1.20)	(2.11)	(4.63)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2020 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Investment revaluation reserve	Share option reserve	Translation reserve	Special reserve	Other reserve	Accumulated losses	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	7,771	-	-	(16,796)	14,616	(8,694)	6,026	(764)	298,198	300,357	36,616	336,973	
Profit/(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)	
Other comprehensive income/ (expense) for the period	-	-	-	(2,477)	-	(244)	-	-	-	(2,721)	(1,362)	(4,083)	
Total comprehensive income/ (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	-	-	-	
At 30 September 2019	7,771	-	-	(19,273)	-	(8,938)	6,026	(764)	276,829	261,651	35,487	297,138	
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	
Profit/(loss) for the period	-	-	-	-	-	-	-	-	(19,657)	(19,657)	67	(19,590)	
Other comprehensive income/ (expense) for the period:													
Exchange difference arising on translating foreign operations	-	-	-	-	-	747	-	-	-	747	1,287	2,034	
Other comprehensive income/ (expense) for the period	-	-	-	-	-	747	-	-	-	747	1,287	2,034	
Total comprehensive income/ (expense) for the period	-	-	-	-	-	747	-	-	(19,657)	(18,910)	1,354	(17,556)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	(1,013)	(5)	(1,018)	1,018	-	
At 30 September 2020	9,325	6,909	650,298	(28,946)	-	(15,847)	6,026	(1,759)	(459,817)	166,189	38,846	205,035	

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 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\$.

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 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- (i) elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- (ii) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The incremental borrowing rate applied is 15%.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets should be adjusted to reflect the discounting effect at transition. Based on the assessment by the management of the Company, the amount of the adjustment is insignificant and therefore no adjustment to refundable rental deposits received has been made.

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 2020 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue:				
One-stop value chain services	–	–	2,031	1,930
Rental income (note (i))	2	792	263	2,432
Trading of grocery food products	4,785	1,141	7,887	3,714
Trading of consumables and agricultural products	755	4,206	7,195	7,137
Provision of money lending services (note (ii))	339	296	1,045	1,026
Provision of financial services	1,273	–	1,434	1,710
	7,154	6,435	19,855	17,949
Other revenue (note (iii))	758	1,987	1,120	5,221
	7,912	8,422	20,975	23,170

Notes:

(i) Rental income

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Gross rental income	2	792	263	2,432
Less: outgoings (included in cost of sales)	–	(5)	(2)	(15)
Net rental income	2	787	261	2,417

(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 2020 (nine months ended 30 September 2019: 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 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 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income (note (iv))	88	991	264	3,039
Sundry income	670	996	856	2,182
	758	1,987	1,120	5,221

(iv) *Interest income*

Included in interest income for the nine months ended 30 September 2020 was approximately HK\$264,000 (nine months ended 30 September 2019: HK\$3,037,000) 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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on borrowings (Note (i))	487	1,223	1,724	4,502
Interest on margin loan payable	217	198	576	646
Interest on lease liabilities	39	–	300	–
	743	1,421	2,600	5,148

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$10,000 for the nine months ended 30 September 2020, payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$1,200,000 granted in August 2020. The loan was interest-bearing with interest rate of 10% per annum and fully repaid by 3 November 2020.

Included in interest on loans payable were interest expenses of approximately HK\$8,000 for the nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax	(16)	(110)	1,460	85
Deferred tax	–	–	–	–
Income tax credit recognised in profit or loss	(16)	(110)	1,460	85

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 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 and nine months ended 30 September 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 nine months ended 30 September 2020 (2019: nil).

7. Gain/(loss) per share

The calculation of the basic and diluted gain/(loss) per share attributable to owners of the Company during both the three months and nine months ended 30 September 2020 and 2019 is based on the following data.

	For the three months ended 30 September		For the nine months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Unaudited gain/(loss) attributable to owners of the Company for the purposes of basic and diluted gain/(loss) per share (HK\$'000)	2,247	(9,317)	(19,657)	(35,985)
Weighted average number of ordinary shares for the purposes of basic and diluted gain/(loss) per share	932,552,430	777,132,430	932,552,430	777,132,430

Diluted gain/(loss) per share is the same as basic gain/(loss) per share for the three months and nine months ended 30 September 2020. The computation of diluted gain/(loss) per share does not assume the exercise of share options to subscribe for additional shares since the exercise of share options would result in an anti-dilutive effect on the basic loss per shares for the three months and nine months ended 30 September 2020.

Diluted gain/(loss) per share is the same as basic gain/(loss) per share for the three months and nine months ended 30 September 2019. The computation of diluted gain/(loss) per share does not assume the conversion of the Company's outstanding convertible bonds and the exercise of share options to subscribe for additional shares as at 30 September 2019 since their conversion would result in an anti-dilutive effect on the basic gain/(loss) per share for the three months and nine months ended 30 September 2019.

8. Events after the Reporting Period

On 30 July 2020, the Vendor, being an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Properties at the Consideration of NT\$72,380,000 (equivalent to approximately HK\$19,088,000). The Properties is located on 12th Floor, No. 35, Lane 235, Jingmaoer Road, Nangang District, Taipei City, Taiwan and with two car parking spaces numbered 166 and 167 in the building. The Disposal was completed in October 2020.

Please refer to the announcements of the Company dated 30 July 2020, 20 August 2020 and 8 October 2020 and circular of the Company dated 21 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the nine months ended 30 September 2020 (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\$2,031,000 (nine months ended 30 September 2019: HK\$1,930,000) representing an increase of approximately 5.2% as compared with the last corresponding period.

The increase was due to extra efforts were put into trying to maintain the same level of business segment.

In order to improve the performance of this business, during the financial year 2020, the team of this business segment put a lot of efforts and resources to find new customers. However, due to the outbreak of COVID-19 pandemic, many companies have cut their budget on information technology (IT) related services.

Facing this predicament, the Directors started to search for new business opportunities. They diversify the One-Stop Value Chain Services Business and expand into other related fields. During the second half year of 2020, the Group started to enter into the gaming industry to sell gaming related products.

Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$263,000 (nine months ended 30 September 2019: HK\$2,432,000), representing a decrease of approximately 89.2% as compared with last corresponding period. The decrease was due to decrease in rental income from commercial office. At 30 September 2020, the Group held properties in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$136,793,000 (31 December 2019: HK\$136,793,000). The properties in Taiwan were sold in October 2020 by an agreement entered into on 30 July 2020.

Trading of Grocery Food Products

In the trading of grocery food products segment, the Group 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. The outbreak of COVID-19 pandemic also makes frozen foods became popular. The Directors decided to grip this chance to expand the product mix in this segment and entered into the frozen food industry. Starting from the second half year of 2020, after careful analysed on current market situation and environment, the Group introduced new products including imported frozen seafood.

During the Reporting Period, the segment reported a revenue of approximately HK\$7,887,000 (nine months ended 30 September 2019: HK\$3,714,000), representing an increase of approximately 112.4% as compared with the last corresponding period.

The trademark licence agreement and the sole distributorship agreement for ramen and udon 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\$7,195,000 (nine months ended 30 September 2019: HK\$7,137,000), representing an increase of approximately 0.8% 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 last year. It is regarded that taking part in the bulk commodities trading business would broaden the income stream of the Group and helps the management to actively identify plastic related business opportunities. Further to the COVID-19 pandemic, the Group distributes the local manufactured surgical masks of teenager masks and adult masks under the brand of MIHK (“MIHK”). Inno-Bag Limited, a subsidiary of the Group, is the official authorised sale agent of MIHK and is selling the masks to hospitals, educational institutions, medical or related institutions as well as other retail customers.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$1,045,000 (nine months ended 30 September 2019: HK\$1,026,000), representing an increase of approximately 1.9% as compared with the last corresponding period. With majority of the loans were secured by un-listed company shares, the Group has put its effort in maintaining, developing and expanding its Money Lending Business.

Provision of financial services

During the period ended 30 September 2020, the Group 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 30 September of 2020 of HK\$1,434,000 (nine months ended 30 September of 2019: HK\$1,710,000), representing a decrease of approximately 16.1% as compared with last corresponding period. It 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. The license was revoked in May 2020.

Securities investments

The Group had available-for-sale investments and financial assets at fair value through profit or loss in aggregate of approximately HK\$22,041,000 as at 30 September 2020, representing approximately 6.07% 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 30 September 2020 and 31 December 2019:

For the nine months ended 30 September 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 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019	As at 30 September 2020	As at 31 December 2019
	Approximately HK\$'000				Approximately		Approximately HK\$'000		Approximately		Approximately HK\$'000		Approximately HK\$'000	
Financial assets at fair value through profit or loss														
Others (Note 1)	13,494	13,265	N/A	N/A	N/A	N/A	12,470	7,685	3.04%	2.16%	(1,003)	(10,077)	-	283
	13,494	13,265					12,470	7,685	3.04%	2.16%	(1,003)	(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	2.63%	2.70%	-	(12,262)	-	-
Others (Note 3)	-	-	N/A	N/A	N/A	N/A	-	-	N/A	-	-	(3,379)	-	-
	9,571	21,833					9,571	9,571	2.63%	2.70%	-	(15,641)	-	-
Total	23,065	35,098					22,041	17,256	6.07%	4.86%	(1,003)	(25,718)	-	283

Notes:

- These are all listed companies on the Stock Exchange for the year ended 30 September 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.
- 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.
- 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 an unaudited revenue of approximately HK\$19,855,000 (nine months ended 30 September 2019: HK\$17,949,000), representing an increase of approximately 10.6% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$14,846,000 (nine months ended 30 September 2019: HK\$10,428,000), representing an increase of approximately 42.4% as compared with the last corresponding period. The increase was mainly due to increase plastics volume.

Administrative expenses for the Reporting Period amounted to approximately HK\$24,223,000 (nine months ended 30 September 2019: HK\$31,882,000), representing a decrease of approximately 24.0% as compared with the last corresponding period. This decrease was mainly due to decrease in legal and professional fee, rental expenses and depreciation of right-of-use assets, entertainment expenses and reversal of expected credit loss.

Finance costs for the Reporting Period was approximately HK\$2,600,000 (nine months ended 30 September 2019: HK\$5,148,000), representing a decrease of approximately 49.5% as compared with the last corresponding period. The decrease was mainly due to the decrease of interest paid and payable for borrowings.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$19,657,000 (nine months ended 30 September 2019: HK\$35,985,000). The basic loss per share of the Company for the nine months ended 30 September 2020 is 2.11 HK cents (nine months ended 30 September 2019: 4.63 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 2020, the bank balances and cash of the Group was approximately HK\$1,753,000 (31 December 2019: approximately HK\$2,416,000).

At 30 September 2020, the net assets of the Group was approximately HK\$205,045,000 (31 December 2019: HK\$222,591,000) and the net current assets was approximately HK\$54,797,000 (31 December 2019: HK\$70,757,000).

Capital Structure

As at 30 September 2020, the Company's issued ordinary share capital with an aggregate nominal value of HK\$9,325,524.30 is divided into 932,552,430 ordinary shares of HK\$0.01 each ("Shares") (31 December 2019: HK\$9,325,524.30 divided into 932,552,430 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. 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 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 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 30 September 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 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:

Period under review	Aggregate amount used during the period under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the period under review
Since completion of placing on 29 March 2018 up to and including 30 September 2020	HK\$20.0 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 of investment properties

Disposal of investment properties

On 30 July 2020, the Vendor, being an indirect wholly-owned subsidiary of the Company, has entered into the Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the Properties at the Consideration of NT\$72,380,000 (equivalent to approximately HK\$19,088,000). The Properties is located on 12th Floor, No. 35, Lane 235, Jingmaoer Road, Nangang District, Taipei City, Taiwan and with two car parking spaces numbered 166 and 167 in the building. The Disposal was completed in October 2020.

Please refer to the announcements of the Company dated 30 July 2020, 20 August 2020 and 8 October 2020 and circular of the Company dated 21 September 2020.

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, 10 March 2020, 2 April 2020 and 9 April 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 loss of disposal between the sale proceeds over the costs of acquisition 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. HK\$20,000,000 of the above payment has been paid.

On 17 January 2018, the parties had entered into a second supplemental agreement whereas the timing of payment of the balance of HK\$35,000,000 was extended from 17 January 2018 to 17 January 2019. On 19 March 2019, the parties had entered into a third supplemental agreement whereas the Long Stop Date has been extended from 17 January 2019 to 31 March 2020 and payment of the remaining balance shall be paid by one or several instalments on or before the Date of Completion. As at the date of this report, the amount of HK\$13,180,000 remained outstanding.

Disposal of subsidiaries

On 2 July 2020, Luster Shine Limited (“Luster Shine”), a wholly-owned subsidiary of the Company, and the Transferee, an independent third party, entered into a sale and purchase agreement pursuant to which Luster Shine has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Ever Chance Management Limited (“Ever Chance”) at a cash consideration of HK\$1. Ever Chance is a company incorporated in Hong Kong with limited liability. The disposal was completed on 2 July 2020.

On 7 April 2020, Fantastic Alliance Investments Limited (“Fantastic”), a wholly-owned subsidiary of the Company, and the Transferee, an independent third party, entered into a sale and purchase agreement pursuant to which Fantastic has agreed to sell, and the Transferee has agreed to acquire, the entire equity interest in Sino Eco Green Limited (“Sino”) at a cash consideration of HK\$1,000,000. Sino is a company incorporated in Hong Kong with limited liability. The disposal was completed on 29 May 2020.

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 report 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.

During the Reporting Period, the Group has disposed a subsidiary. Net liabilities of the subsidiary, being disposed of at the date of disposal was as follows:

HK\$'000

Consideration received:

Cash received or receivable	10
-----------------------------	----

Net liabilities disposed of:

Plant and equipment	323
Right-of-use assets	2,785
Prepayments	1,799
Bank balances and cash	21
Other payables	(4,363)
Lease liabilities	(3,313)
	(2,748)
Gain on disposal	2,758

Satisfied by:

Cash consideration	10
--------------------	----

Litigation

Ever Chance Management Limited (“Ever Chance”), was indirect wholly-owned subsidiary of the Company, has received a petition to wind-up by Harbour View 23 Limited (the “Petitioner”). The Petitioner as Plaintiff commenced civil proceedings against Ever Chance as Defendant at the Lands Tribunal under a Tenancy Agreement date 24th November 2016. Upon application by the Petitioner, judgment was granted against Ever Chance and it was adjudged that Ever Chance do pay the Petitioner (a) outstanding rent in the sum of HK\$618,960.00; (b) arrears of rent/mesne profits in the sum of HK\$144,424.00; (c) management fees in the sum of HK\$81,300.40; (d) rates in the sum of HK\$23,845.11; (e) air-conditioning charges in the sum of HK\$50,384.34; (f) adjudged interest from overdue rent at the rate of 1.5% per month in the sum of HK\$23,468.90; and (g) assessed costs to the application in the sum of HK\$3,200.00. The Petition has been presented to the Court and shall be heard on 26 August 2020.

Ever Chance was disposed of on 2 July 2020.

Charges on Group’s Assets

As at 30 September 2020, 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\$7,215,000 (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\$7,818,000 (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 PRC and Hong Kong of approximately HK\$10,000,000 (31 December 2019: HK\$21,158,000).

Contingent Liabilities and Guarantee

As at 30 September 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 30 September 2020, the Group had capital commitment amounting to approximately HK\$56,462,000 (31 December 2019: HK\$55,582,000).

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 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 and the tension between China and USA. However, the Group will continue allocating its resources carefully in different segments as to optimize its investment returns.

One-stop value chain services

The economy of Hong Kong has been hit hard by the COVID-19 pandemic during the start of 2020 until now. Other than using more effort to discover new potential customers and provide more varieties to attract customers, the Directors are always striking to find other way out and explore other industries, such as the gaming industry, so as to sustain its business during this tough atmosphere in Hong Kong. The entering into of the gaming industry was originally the temporary thought of the Company. However, the Directors noticed that this industry is indeed a profitable industry even during this difficult period. The Company will not rule out the possibility of developing in the gaming industry in the future and may devote more resources in developing gaming related products. Overall, the Directors believe that after the recovery of COVID-19 pandemic, the economy of Hong Kong is expected to turnaround, and performance of this business will be improved.

Property investment

The Group originally has few property investments in the Greater China Region, especially in Hong Kong, the PRC and Taiwan. References are made to the announcements and circulars of the Company dated 29 October 2019, 24 February 2020, 23 March 2020, 30 July 2020 and 21 September 2020 in relation to, among other things, the disposal of properties. In view of the tension between USA and China, as well as the pessimistic global atmosphere, since 2019, the Group has started to dispose its properties to avoid the further uncertain environment of the property market.

In addition to the adverse environment, in 2020, the global economy was seriously affected by the outbreak of the COVID-19 pandemic. There were big-scale lockdowns in different countries that led to global economic downturns. The International Monetary Fund published the World Economic Outlook report in October 2020, and predicted that there will be a deep global recession in 2020 and the global growth is projected at -4.4% in 2020. This represents that the global economic crisis is far from over mainly due to the impact of the COVID-19 pandemic.

In light of the above, the Directors believe that the global downturn will bring negative impacts on the property market in 2020. The unfavorable economic atmosphere will in turn affect the people's decision in investing of properties, thus the prospect of the property market was unfavorable.

Trading of consumables and agricultural products

The Directors considered the Consumables Trading Business demonstrates a steady growth in the past years and is optimistic about its future contribution to the Group in terms of revenue and profit.

Although there is economic downturn due to COVID-19 pandemic and this business segment was affected, the management still strived its best to develop and maintain the business. By providing value-added customisation services to the products, it is believed that the sale of re-usable bags is able to maintain a steady growth.

The Group has contributed to the society continually by way of donation, including but not limited to donating free masks to schools and charity organizations and sponsor various campaigns in relation to environmental protection. Hence, the Group will endeavor to promote its brand through online marketing, sponsoring various environmentally friendly campaigns and participate in more brand building activities in Hong Kong and China.

With the help of these multi-dimensional advertisements and promotions especially through online marketing, the Group will be benefited from having more market shares in the field, expanding its customer base in Hong Kong, as well as building up reputation and goodwill in Hong Kong. Most importantly, the revenue and profit of the Group are expected to be in an upward trend.

In the near future, the Group would like to expand the Consumables Trading Business to the PRC by advertising through social media and sponsoring various events to be held by local reputable environmental friendly organisations.

Trading of grocery food products

Demand for frozen or fresh fish, livestock and poultry has increased the most in the first seven months of 2020 no matter for non-supermarket shops or supermarkets. The Directors believed that this was due to the outbreak of COVID-19 pandemic which most people prefer to stay at home to prevent infection. Apart from udon and ramen, the Directors decided to widen its food products portfolio in the second half year of 2020 and introduced different varieties of frozen seafood.

Although the pandemic started to moderate lately, the Directors believed that people's consciousness on health will remain for a period of time, such that demand for frozen or fresh fish, livestock and poultry will remain stable. Even after the pandemic is totally under control, it is believed that the demand will not decrease significantly, as they still share a big proportion among all goods in non-supermarket shops or supermarkets. Therefore, the Directors will from time to time source more varieties of frozen seafood to expand market share in the frozen food sector. Also, the Directors will source more dairy products such as bread and pastry to diversify the risk the Group's food product portfolio.

The Group will also put more use of online platform and social media to enhance the business. The Directors target to explore the foreign grocery food market. They will discover more online platforms in other countries so as to broaden its customer base to all over the world.

With the experienced procurement and sales team of the Group, the Group is optimistic that the Grocery Food Trading Business, no matter online or offline, will progressively pick up in the future and revenue of this business will be improved after introducing more varieties of food products and broadening of customer base.

Provision of money lending services

Under the current economy environment, the Directors believe that there will be increase demand of money lending of individuals or corporate customers. However, at the same time, risk of default may increase as it may be hard for the customers to repay the loan. The management will further enhance the loan approval procedures and carefully filter and screen out customers with high risks in order to protect the interest of the Group. The Directors are of the view that it is a critical time to develop the Money Lending Business. The Group will continue to maintain sound credit control policy to balance the finance income against credit risk from respective borrowers.

Provision of financial services

The performance of the Financial Services Business was not satisfactory. In addition to the global economic downturn and recession in Hong Kong due to the COVID-19, Hong Kong's gross domestic product contracted 8.1% in the second quarter of 2020, the global economy upheaval resulting the global financial industry takes time to recover. Further to the United State sanctions imposed to Hong Kong on August 2020 and the tension between United State and China, Hong Kong financial institutions face the unknown threats that might harm the Hong Kong economy.

In view of the abovementioned, the Directors considered the financial service industry is unfavourable in the long-term and decided to scale down the Financial Services Business in relation to the asset management and advising on securities in the future. The Group will, depending the market conditions, reallocate its resources from the financial services to develop other businesses that the Group expected to have a brighter prospect.

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

As at 30 September 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 30 September 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	Capacity	Number of Shares	Approximate percentage of the Company's issued share capital <i>(Note 1)</i>
So Chi Ming ("Mr. So") <i>(Note 2)</i>	Beneficial owner, interest of spouse and interest of controlled corporation	161,676,000 <i>(Notes 3)</i>	17.34%
Yeung Sau Han Agnes ("Ms. Yeung")	Beneficial owner, interest of spouse and interest of controlled corporation	161,676,000 <i>(Notes 3)</i>	17.34%
Ever Better Holdings Limited ("Ever Better")	Interest of controlled corporation	146,352,000 <i>(Notes 3)</i>	15.69%
A S Investment Holdings Limited ("A S Investment")	Beneficial owner	146,352,000 <i>(Notes 3)</i>	15.69%

Notes:

- As at 30 September 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.
- Mr. So is uncle of So David Tat Man, an executive director of the Company.
- Mr. So and Ms. Yeung are spouses. Based on the disclosure of interests forms both filed on 1 September 2020 by Mr. So and Ms. Yeung, Mr. So has an interest of 11,904,000 Shares as beneficial owner, and Ms. Yeung has an interest of 3,420,000 Shares as beneficial owner. By virtue of the SFO, Mr. So is deemed to be interested in the Shares owned by Ms. Yeung and Ms. Yeung is deemed to be interested in the Shares owned by Mr. So. A S Investment has an interest of 146,352,000 Shares as beneficial owner. A S Investment is wholly-owned by Ever Better. Ever Better is owned as to 50% by Mr. So and 50% by Ms. Yeung.

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 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 have been granted under the Share Option Scheme.

COMPETING INTERESTS

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

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, 9 November 2020

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