



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
2021





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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\$8,700,000 for the three months ended 31 March 2021, representing an increase of approximately 53.1% as compared with approximately HK\$5,681,000 for the corresponding period in 2020.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2021 was approximately HK\$5,121,000, representing a decrease of approximately 44.8% as compared with approximately HK\$9,282,000 for the corresponding period in 2020. The basic loss per share of the Company for the three months ended 31 March 2021 was HK0.5491 cents (three months ended 31 March 2020: HK0.9953 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 2021.





UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021 together with the comparative figures for the corresponding period in 2020.

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

(Expressed in Hong Kong dollars)

		For the three months ended 31 March	
	<i>NOTES</i>	2021 \$'000	2020 \$'000
Revenue	3		
Goods and services		8,628	5,078
Rental		–	263
Interest		72	340
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Cost of sales		8,700	5,681
		(7,461)	(3,944)
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Gross profit		1,239	1,737
Other revenue	3	247	88
Selling and distribution expenses		(174)	(398)
Administrative expenses		(9,777)	(10,410)
Share of result of associates		58	(625)
Finance costs	4	(1,539)	(1,003)
Gain from changes in fair value of financial asset at fair value through profit or loss		4,680	831
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Loss before taxation		(5,266)	(9,780)
Taxation	5	–	(46)
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Loss for the period		(5,266)	(9,826)

		For the three months ended 31 March	
NOTES	2021 \$'000	2020 \$'000	
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on investments in equity instruments at fair value through other comprehensive income	-	(1,663)	
Exchange differences arising on translation of foreign operation	480	5,630	
Other comprehensive (expense)/income for the period	480	3,967	
Total comprehensive expense for the period	(4,786)	(5,859)	
(Loss)/gain for the period attributable to:			
Owners of the Company	(5,121)	(9,282)	
Non-controlling interests	(145)	(544)	
	(5,266)	(9,826)	
Total comprehensive income/(expense) for the period attributable to:			
Owners of the Company	(4,628)	(7,365)	
Non-controlling interests	(158)	1,506	
	(4,786)	(5,869)	
Loss per share		(Restated)	
Basic and diluted (<i>HK cents</i>)	(0.5491)	(0.9953)	





UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021 (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
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 equity instruments at fair value through other comprehensive income	-	-	-	(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
At 1 January 2021	9,325	6,909	650,298	(31,152)	1,800	(3,865)	6,026	(1,766)	(499,000)	138,575	36,560	175,135
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(5,121)	(5,121)	(145)	(5,266)
Other comprehensive income (expense) for the period:												
Fair value change of equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Exchange difference arising on translating foreign operations	-	-	-	-	-	493	-	-	-	493	(13)	480
Other comprehensive (expense)/income for the period	-	-	-	-	-	493	-	-	-	493	(13)	480
Total comprehensive (expense)/income for the period	-	-	-	-	-	493	-	-	(5,121)	(4,628)	(158)	(4,786)
At 31 March 2021	9,325	6,909	650,298	(31,152)	1,800	(3,372)	6,026	(1,766)	(504,121)	133,947	36,402	170,349

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 20/F, Wanchai Central Building, 89 Lockhart Road, Wanchai, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

During the three months ended 31 March 2021, 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 2021 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2020 except for the following amendments and interpretation (“New HKFRSs”) issued by HKICPA which are or shall be in effect.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Hong Kong Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

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

⁵ Effective for annual periods beginning on or after 1 January 2021.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue:		
Trading of grocery food products	2,131	1,672
Trading of consumables and agricultural products	5,356	1,375
Rental income (note (i))	–	263
Provision of money lending services (note (ii))	72	340
One-stop value chain services	1,141	2,031
Provision of financial services	–	–
	8,700	5,681
Other revenue (note (iii))	247	88
	8,947	5,769

Note:

(i) Rental income

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gross rental income	–	263
Less: outgoings (included in cost of sales)	–	(3)
Net rental income	–	260

(ii) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$47,000 for the three months ended 31 March 2021 (three months ended 31 March 2020: 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 2020. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2021.





(iii) Other revenue

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Loan interest income	125	–
Loan interest income on loans to associates (note (iv))	88	88
Sundry income	34	–
	247	88

(iv) Loan interest income on loans to associates

Included in interest income are approximately HK\$88,000 for the three months ended 31 March 2021 (three months ended 31 March 2020: HK\$88,000), the loan amount of approximately HK\$2,842,000 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. Beijing HX is treated as associate in the consolidated financial statements of the Company.

4. Finance costs

	For the three months ended 31 March	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on borrowings (note (i))	740	621
Reimbursement of finance costs borne by lenders	415	–
Interest on other payables	–	39
Interest on margin loans payables	150	207
Interest on balancing payment for the acquisition of further interest in subsidiaries	212	–
Interest on lease liabilities	22	136
	1,539	1,003

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current tax	–	46
Deferred tax	–	–
Income tax credit recognised in profit or loss	–	46

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% for both years. No EIT is provided for the three months ended 31 March 2021 and 2020 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 2021 and 2020 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 2021 (2020: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2021 and 2020 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$5,121,000 (2020: HK\$9,282,000) and the weighted average of 932,552,430 (2020: 932,552,430) ordinary shares of HK\$0.01 (2020: HK\$0.01) each in issue during the three months ended 31 March 2021 and 31 March 2020.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2021 and 31 March 2020. 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 2021 (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

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 Group has been devoting more resources to improve the performance of this segment, and it is from time to time looking for suitable opportunities to expand the variety of products and client base in this industry. The lockdown measures caused by the outbreak of COVID-19 pandemic makes frozen foods became popular. Therefore, 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 analysis on current market situation and environment, the Group introduced new products including imported frozen seafood. The Group obtained authorised distributor certificates for distribution of frozen seafood such as king crab, shrimp, lobster, fish, crab, and surimi stick. The frozen seafood products are from the production bases of all around the world including but not limited to Thailand, Vietnam and Norway. Also, the Group has sourced more dairy products such as bread and pastry so as to diversify its grocery food portfolio. To further enhance the business, apart from sale of grocery food products in supermarkets, the Group has made more use of online platform and social media. In the second half year of 2020, the Group started online sales through social media and launched its online sales platform on HKTVMall operated by the Hong Kong Television Network Limited (stock code: 1137) to promote the products and directly reach out more potential customers. It helps the Group to further diversify the customers base and save the intermediate sales cost.

During the Reporting Period, the segment reported a revenue of approximately HK\$2,131,000 (three months ended 31 March 2020: HK\$1,672,000), representing an increase of approximately 27.5% as compared with the last corresponding period.

The trademark licence agreement and the sole distributorship agreement for the distribution of ramen and udon under the brand of “Nittin” (日丁) were renewed for a period of 3 years on 25 March 2019. Details of the renewal was disclosed in the announcement of the Company dated 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\$5,356,000 (three months ended 31 March 2020: HK\$1,375,000), representing an increase of approximately 289.5% as compared with the last corresponding period.

This business segment is mainly composed of re-usable bags trading business, bulk commodities trading in resin plastics (ABS) and polyethylene (PE) and recycle of used plastic products. After engaging the re-usable bags trading business, the Group gain more understanding about the raw materials of re-usable bags and regard that the business opportunities in the plastic recycling industry of turning the used plastic products into functional recyclables would produce synergy effect to the re-usable bags trading business. It will also broaden the income stream of the Group and enhance the social responsibility of the Group. Therefore, the Group has stepped into the recycle of used plastic products in this first quarter of 2021. Certain revenue was generated but due to relatively high factory overhead in the startup stage, this part of the business is yet to provide a positive margin. The Directors believe that there will be gradual improvement on the performance of this segment.

Property Investment

During the Reporting Period, this business segment reported a revenue of approximately HK\$Nil (three months ended 31 March 2020: HK\$263,000). The decrease was mainly due to decrease in rental income from commercial office which was disposed. At 31 March 2021, the Group held properties in the People's Republic of China ("PRC"), and Hong Kong for investment purpose amounted to approximately HK\$18,367,000 (31 December 2020: HK\$18,367,000).

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$72,000 (three months ended 31 March 2020: HK\$340,000), representing a decrease of approximately 78.8% 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.





One-stop Value Chain Services

During the Reporting Period, the one-stop value chain services segment reported a revenue of approximately HK\$1,141,000 (2020: HK\$2,031,000), representing a decrease of approximately 43.8%, as compared to the last year.

In order to improve the performance of this business, during the financial year 2020, the team of this business segment puts a lot of effort 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 team started to search for new business opportunities. They seize the opportunity and diversify the One-Stop Value Chain Services Business into the gaming industry to sell gaming related products during the second half year of 2020.

Provision of financial services

During the period ended 31 March 2021, 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 2021 of HK\$Nil (three months ended 31 March of 2020: HK\$Nil). This segment also had a corporate finance division operating under the name of China AF Corporate Finance Limited which 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 equity instruments at fair value through other comprehensive income and financial assets at fair value through profit or loss in aggregate of approximately HK\$23,617,000 as at 31 March 2021, representing approximately 9.08% of the Company's total assets (31 December 2020: approximately HK\$28,114,000, representing approximately 10.41% 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 2021 and 31 December 2020:

For the three months ended 31 March 2021 and year ended 31 December 2020

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 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020	As at 31 March 2021	As at 31 December 2020
	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)	14,444	12,965	N/A	N/A	N/A	N/A	15,746	20,243	6.06%	7.49%	4,680	7,278	-	-
	14,444	12,965					15,746	20,243	6.06%	7.49%	4,680	7,278	-	-
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)	7,871	9,571	11,250,000	11,250,000	4.99%	4.99%	7,871	7,871	3.02%	2.92%	-	(1,700)	-	-
	7,871	9,571					7,871	7,871	3.02%	2.92%	-	(1,700)	-	-
Total	22,315	22,536					23,617	28,114	9.08%	10.41%	4,680	5,578	-	-





Notes:

1. These are all listed companies on the Stock Exchange for the year ended 31 March 2021, 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, installation of vehicle electronic accessories, sale of refined oil and natural gas by operating refuelling stations and storage facilities, and the provision of transportation of petroleum and natural gas services.
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.

* For identification purposes only

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$8,700,000 (three months ended 31 March 2020: approximately HK\$5,681,000), representing an increase of approximately 53.1% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$7,461,000 (three months ended 31 March 2020: approximately HK\$3,944,000), representing an increase of approximately 89.2% as compared with the last corresponding period. The increase of cost of sales was mainly due to increase plastics and frozen foods volume.

Administrative expenses for the Reporting Period amounted to approximately HK\$9,777,000 (three months ended 31 March 2020: approximately HK\$10,410,000), representing a decrease of approximately 6.1% as compared with the last corresponding period. This decrease was mainly due to the decrease of consultant fees.

Finance costs for the Reporting Period was approximately HK\$1,539,000 (three months ended 31 March 2020: approximately HK\$1,003,000), representing an increase of approximately 53.4% as compared with the last corresponding period. The increase was mainly due to increase of reimbursement of finance costs borne by lenders and interest on balancing payment for the acquisition of further interest in subsidiaries.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$5,121,000 (three months ended 31 March 2020: approximately HK\$9,282,000). The basic loss per share of the Company for the Reporting Period was HK0.5491 cents (three months ended 31 March 2020: HK0.9953 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 2021, the cash and cash equivalents of the Group was approximately HK\$8,342,000 (31 December 2020: approximately HK\$2,951,000).

At 31 March 2021, the net assets of the Group was approximately HK\$170,349,000 (31 December 2020: approximately HK\$175,135,000) and the net current liabilities was approximately HK\$36,209,000 (31 December 2020: the net current liabilities approximately HK\$2,665,000).





Capital Structure

As at 31 March 2021, 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 2020: HK\$9,325,524.30 divided into 932,552,430 ordinary shares of HK\$0.01 each ("Share(s)").

Fund Raising Activities

The Group has not conducted any fund raising activities for the period ended 31 March 2021 and during the financial year ended 31 December 2020.

Significant Investments, Acquisitions and Disposal

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). The Disposal was duly completed in 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 20 May 2020, 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 a house located in Shenzhen City, Guangdong Province, the PRC at a consideration of RMB9,800,000 (equivalent to approximately HK\$11,022,000). The Disposal was duly completed.

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

On 17 July 2017, Yardley Wealth Management Limited (“YWML”) and Skyline Top Limited (“STL”), a wholly-owned subsidiary of the Company, entered into an agreement (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 further extended to 30 September 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\$13,618,628 remained outstanding.

Disposal of Shenzhen City Jintaiyuan Investment Development Company Limited

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 and the amount due from Ever Chance at a consolidation of HK\$10,000. 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 and the amount due from Sino at a consideration of \$1. 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 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 settled in 2020.

Litigation

Shenzhen Shengshi Fuqiang Technology Company Limited (Shengshi Fuqiang), a non-wholly owned subsidiary of the Company, has received a claim for lost of assets at the sum of approximately RMB1.70 million. The Plaintiff commenced civil proceedings against Shengshi Fuqiang and filed a statement that they cannot retrieve the furniture and equipment from the premises owned by Shengshi Fuqiang and was leased to the Plaintiff, and therefore Shengshi Fuqiang should compensate for the Plaintiff’s lost. Shengshi Fuqiang has made a counter-claim against the Plaintiff for outstanding rent and delay in deliver vacant possession at the sum of approximately RMB980,000. The case was first heard in Court on 26 February 2021 and waiting for the Court to arrange the second hearing.

Charges on Group’s Assets

As at 31 March 2021, investments held for trading have been pledged to brokers’ account to obtain a margin loan financing of approximately HK\$5,665,000 (31 December 2020: HK\$6,514,000).

Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from money lenders in Hong Kong of approximately HK\$10,000,000 (31 December 2020: HK\$10,000,000). Furthermore, the Group had charges on certain investment properties in the PRC of approximately HK\$6,067,000 (2020: HK\$6,067,000) as securities for a term loan granted to an associate company.





Contingent Liabilities and Guarantee

As at 31 March 2021, 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 2020: RMB13,000,000).

Capital Commitments

As at 31 March 2021, the Group had capital commitment amounting to approximately HK\$58,259,000 (31 December 2020: HK\$58,566,000).

Exposure to Fluctuation in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or Renminbi or United State Dollars or Australian Dollars or New Taiwan dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or 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. However, as more COVID-19 vaccines are being developed and people are getting vaccinated, local economy is expected to recover slowly as business activities pick up. 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. Financial performances of many companies have been affected and they have minimised their budget on IT related services, which led to decrease in revenue in this business segment. In order to maintain the Group's revenue and competitiveness in this segment, the Directors spare no effort in discovering new potential customers and provide more varieties to attract customers. Following the gradual stabilisation of the pandemic recently, the Group will use its best endeavours to develop this business segment, including but not limited to maintain good relationship and communication with current customers and actively seek for new customers. In the meantime, management is in negotiation with current and potential customers on certain IT related services. They believe that the Group's one-stop value chain service will be gradually resumed after the recovery of the pandemic. In addition to the experience and connections of the team in this market, it is believed that the prospect of this segment will still be promising following the recovery.

Other than the one-stop value chain services in relation to IT, 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 Hong Kong and the PRC. The Group is cautious of the tension between USA and China, as well as the pessimistic global atmosphere. The Group will carefully monitor its property investments portfolio.

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.

The experience of taking part in the bulk commodities trading business in resin plastics (ABS) and polyethylene (PE) has led the Group into the recycle business of used plastic products. Plant and equipment were leased for this development, and management is looking forward to the potential growth in this business.

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.

Also, the Group believes that there is a trend of increasing consciousness and desire for environmentally friendly products. The Group will use its best endeavours to develop opportunities to work with other private companies and non-governmental organisations for recycling and mitigate the pollution problems brought by the plastic wastes.





The Group has contributed to the society continually by way of donation, including but not limited to donating free masks to schools and charity organisations 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 this segment is 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 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 to cater the needs of the market 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.

The Directors have been in active discussion with food importers and brand owners for distributing certain brands of food and beverage. It is expected that the food and beverage will be launched in supermarkets and online sales platform of the Group.

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 significantly in 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 on 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 31 March 2021, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors were as follows:

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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2021	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2021
So David Tat Man	7 December 2020	0.0554	7 December 2020 – 6 December 2025	9,300,000	-	-	-	9,300,000

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

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 31 March 2021, 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
So Chi Ming ("Mr. So") (Note 1)	Beneficial owner, interest of spouse and interest of controlled corporation	161,676,000 (Notes 2)	17.34%
Yeung Sau Han Agnes ("Ms. Yeung")	Beneficial owner, interest of spouse and interest of controlled corporation	161,676,000 (Notes 2)	17.34%
Ever Better Holdings Limited ("Ever Better")	Interest of controlled corporation	146,352,000 (Note 2)	15.69%
A S Investment Holdings Limited ("A S Investment")	Beneficial owner	146,352,000 (Note 2)	15.69%

Notes:

1. Mr. So is uncle of So David Tat Man, an executive director of the Company.
2. 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 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 2021 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”) which was for a period of 10 years lapsed on 5 May 2021. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 2021 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, 14 May 2021

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.

