



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
2010



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of China Eco-Farming Limited (the “Company”) 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Financial Highlights

The Group recorded an unaudited revenue of approximately HK\$1,520,000 for the three months ended 31 March 2010, representing a decrease of approximately 85% as compared with that for the corresponding period in 2009.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2010 amounted to approximately HK\$4,901,000, representing an increase of approximately 54% as compared with HK\$3,182,000 for the corresponding period in 2009.

The board of directors (the "Board") of the Company does not recommend the payment of an interim dividend for the three months ended 31 March 2010.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board would like to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the three months ended 31 March 2010 together with the comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Expressed In Hong Kong dollars)

		For the three months ended 31 March	
		2010	2009
	<i>Notes</i>	\$'000	<i>\$'000</i>
Revenue	3	1,520	10,262
Cost of sales		(1,476)	(9,836)
Gross profit		44	426
Other revenue	3	300	–
Administrative expenses		(4,959)	(3,156)
Finance costs	4	(286)	(420)
Loss before taxation		(4,901)	(3,150)
Taxation	5	–	(32)
Loss for the period		(4,901)	(3,182)
Loss for the period attributable to:			
Owners of the Company		(4,901)	(3,182)
Non-controlling interests		–	–
Loss per share			
Basic (<i>HK cents</i>)	7	(0.24)	(0.41)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Expressed In Hong Kong dollars)

	For the three months ended 31 March	
	2010 \$'000	2009 \$'000
Loss for the period	(4,901)	(3,182)
Exchange differences arising on translation of foreign operations, representing other comprehensive income for the period	-	-
Total comprehensive loss for the period	(4,901)	(3,182)
Total comprehensive loss attributable to:		
Owners of the Company	(4,901)	(3,182)
Non-controlling interests	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2010 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital	Share premium	Capital reserve*	Equity component of convertible preference shares	Special reserve	Statutory reserve	Foreign currency transaction reserve	Accumulated losses	Total	Non-controlling interests**	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2009	7,726	-	3,970	4,121	6,026	3,029	3,664	(29,605)	(1,069)	-	(1,069)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	-	-	-	(3,182)	(3,182)	-	(3,182)
At 31 March 2009	7,726	-	3,970	4,121	6,026	3,029	3,664	(32,787)	(4,251)	-	(4,251)
At 1 January 2010	9,126	8,156	-	4,121	6,026	-	-	(31,444)	(4,015)	-	(4,015)
Loss for the period, representing total comprehensive loss for the period	-	-	-	-	-	-	-	(4,901)	(4,901)	-	(4,901)
Conversion of convertible preference shares	15,000	3,106	-	(3,776)	-	-	-	-	14,330	-	14,330
At 31 March 2010	24,126	11,262	-	345	6,026	-	-	(36,345)	5,414	-	5,414

* The capital reserve represents the Group's share of the contributions made by the minority shareholders to certain subsidiaries of the Group in the People's Republic of China ("PRC").

** The share of losses by non-controlling interests of the Group already up to their investments cost as at 31 March 2009. Upon the disposal of Chineseroad Incorporated and its subsidiaries on 9 December 2009, the Group does not have any non-controlling interests as at 31 March 2010.

NOTES TO THE 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 Company Law of the Cayman Islands on 30 November 2000.

The shares of the Company were listed on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited since 5 February 2002. China Railway Logistics Limited ("CRLL") (incorporated in the Bermuda) which is listed on GEM of The Stock Exchange of Hong Kong Limited, ceased to be the ultimate holding company of the Company on 29 January 2010 upon the completion of the conversion of convertible preference shares. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is Room 1301, 13/F, the Centre Mark, 287-299 Queen's Road Central, Hong Kong.

In 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 Company and its subsidiaries (collectively known as the "Group") are engaged in the business of one-stop value chain services. The one-stop value chain business provides the services in various aspects including supply chain management, logistics management, distribution services and customer focused design solutions.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"). Other than those subsidiaries, which were disposed in year 2008, established in PRC whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK\$.

As the Company is listed in Hong Kong, the directors consider that it is appropriate to present the unaudited condensed consolidated financial statements in HK\$.

2. Principal accounting policies and basis of preparation

The condensed quarterly 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 accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed financial results have been prepared under the historical cost basis.

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 2010 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2009 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or have become effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 24 (Revised)	Related Party Disclosures ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 32 (Amendment)	Classification of Rights Issues ⁴
HKAS 39 (Amendment)	Eligible Hedged Items ¹
HKFRS 1 (Revised)	First-time Adoption of HKFRSs ¹
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ⁶
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKFRS 9	Financial Instruments ⁷
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

¹ Effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 July 2010

⁷ Effective for annual periods beginning on or after 1 January 2013

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

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	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue:		
One-stop value chain services	1,520	10,262
Other revenue:		
Others	300	–
	1,820	10,262

4. Finance costs

	For the three months ended 31 March	
	2010	2009
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Effective interest expense on convertible preference shares	148	387
Interest on loan from a former fellow subsidiary	138	33
	286	420

5. Taxation

Under the Law of the People's Republic of China on Corporate Income Tax (the "CIT Law") and Implementation Regulation of the CIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. However, certain subsidiaries which were disposed in year 2008 in the Group are "Encourage Hi-Tech Enterprise" and entitled to a reduced corporate income tax rate of 15% from 1 January 2008. As the PRC subsidiaries of the Group were loss-making for the period ended 31 March 2009, no provision for PRC income tax was made.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax was calculated at 16.5% (2009: 16.5%) of the estimated profit for the period. No provision for Hong Kong Profits Tax has been made for the period ended 31 March 2010 as the Group does not have any assessable profit subject to Hong Kong Profits Tax for the period.

No deferred tax asset has been recognised due to the unpredictability of future profits streams.

6. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2010 (2009: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2010 and 2009 respectively is based on the unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$4,901,000 (2009: HK\$3,182,000) and the weighted average of 2,010,377,468 (2009: 772,599,690 (restated)) ordinary shares of HK\$0.01 each in issue during the three months ended 31 March 2010.

No diluted loss per share for the three months ended 31 March 2010 and 2009 has been presented as the conversion of the Company's convertible preference shares would result in an anti-dilutive effect.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and financial review

For the three months ended 31 March 2010, the Group recorded an unaudited revenue of approximately HK\$1,520,000, representing a decrease of approximately 85% as compared with approximately HK\$10,262,000 for the corresponding period in 2009. The decrease was mainly due to uncertainties in the global external environment and keen competition in the telecommunication market in Hong Kong and the PRC.

Cost of sales for the period under review decreased to approximately HK\$1,476,000 from approximately HK\$9,836,000 for the corresponding period in 2009, representing a decrease of approximately 85%. The decrease was in line with the decrease in revenue during the period.

Administrative expenses for the period under review increased to approximately HK\$4,959,000 from approximately HK\$3,156,000 for the corresponding period in 2009, representing an increase of approximately 57% as the Group has incurred more professional fee in assessing potential investment in CCGH Limited.

Finance costs for the period under review decreased to approximately HK\$286,000 from approximately HK\$420,000, representing a decrease of 32% as part of the convertible preference shares has converted into shares during the period.

The Group recorded a loss for the period attributable to owners of the Company in the amount of approximately HK\$4,901,000 as compared with approximately HK\$3,182,000 for the corresponding period in last year.

As a result, loss per share was decreased from HK0.41 cents for the three months ended 31 March 2009 to HK0.24 cents for the three months ended 31 March 2010. No diluted loss per share for the period ended 31 March 2010 and 2009 has been presented as the conversion of the Company's convertible preference shares would result in an anti-dilutive effect.

Liquidity and financial resources

The Group financed its business operations with internally generated cash flows, unsecured loans and a loan from a former fellow subsidiary. During the period under review, the Group operates a prudent treasury measure to ensure that no unnecessary risks are taken with the Group's assets. As at 31 March 2010, the cash and cash equivalents balance of the Group was approximately HK\$17,580,000 (31 December 2009: HK\$23,985,000).

As at 31 March 2010, the Group had net assets of approximately HK\$5,414,000 (31 December 2009: net liabilities of HK\$4,015,000). The Group maintained net current assets of approximately HK\$6,823,000 (31 December 2009: HK\$23,410,000).

Capital Structure

As at 31 March 2010, the Company's issued ordinary share capital was HK\$24,125,996.90 divided into 2,412,599,690 shares of HK\$0.01 each (31 December 2009: HK\$9,125,997 divided into 912,599,690 shares of HK\$0.01 each). The issued convertible preference share capital was HK\$2,391,304 divided into 23,913,043 shares of HK\$0.10 each (31 December 2009: HK\$17,391,304 divided into 173,913,043 shares of HK\$0.10 each). Convertible preference shares in the nominal value of HK\$15,000,000 with the principal amount of HK\$17,250,000 were converted into 1,500,000,000 ordinary shares during the three months ended 31 March 2010.

Other disclosure

On 29 April 2010, the Company entered into a letter agreement confirming the engagement of Daewoo Securities (Hong Kong) Limited ("Daewoo Securities") as financial advisor to the Company and Daewoo Securities will also act as placement agent for the Company in the private placement of securities, the issuance of convertible bonds or bonds with warrants or exchangeable bonds (the "Securities"). It is contemplated that such Securities will be issued by the Company or affiliates of the Company in an aggregate principal amount of up to USD100 million in a single transaction.

Outlook

On 12 January 2010, Golden Jack Development Limited ("Golden Jack"), a wholly-owned subsidiary of the Company, entered into a memorandum of understanding with CCGH Limited ("CCGH") to invest in CCGH and its related companies through acquisition of existing shares or subscription of new shares. CCGH is principally engaged in investment holding and proposes to invest in a PRC entity which is principally engaged in coal mining and coal distribution in the PRC (including but not limited to Guizhou, Shanxi, Xinjiang, Inner Mongolia), with its main clients situated in Guizhou. As at the date of this report, the earnest deposit of HK\$8,000,000 has not yet been paid.

On 8 February 2010, Golden Jack and C.C.I (N.A.) LTD ("CCI") entered into a memorandum of understanding pursuant to which Golden Jack is desirous of exploring the possibility of investing in CCI including, but not limited to, the purchase of existing shares, subscription of equity or related derivative instrument in CCI. CCI is in negotiation with various parties which are engaged in reclaiming waste coal, reprocessing waste coal into clean coal and distribution of the clean coal in the United States.

The Group will keep on exploring good business opportunities for expanding our existing business and identifying valuable investment opportunities in the future.

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

As at 31 March 2010, the interests and short positions of the Directors and 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 Future Ordinance ("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:

(a) Directors' Long Positions in the shares of the Company

There was no Directors' long position as at 31 March 2010.

(b) Directors' Short Positions in the shares of the Company

There was no Directors' short position as at 31 March 2010.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the section "Directors' and Chief Executives' Interests or Short Positions in the Shares, Underlying Shares or Debentures of the Company or any Associated Corporations" above, at no time during the period was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 31 March 2010, the following persons or companies other than the Directors or chief executives of the Company had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity	Number of Shares and underlying Shares held or short positions	Approximate % of shareholding
Top Status International Limited (<i>Note 1</i>)	Beneficial owner	776,406,430 (L) (<i>Note 2</i>)	32.18 (L)
		537,276,000 (S) (<i>Note 3</i>)	22.27 (S)
China Railway Logistics Limited (<i>Note 1</i>)	Interest of controlled corporation	776,406,430 (L) (<i>Note 2</i>)	32.18 (L)
		537,276,000 (S) (<i>Note 3</i>)	22.27 (S)
China Coalfields International Group Limited (<i>Note 4</i>)	Beneficial owner	537,276,000 (L) (<i>Note 3</i>)	22.27 (L)
Yiu Yat Hung (<i>Note 4</i>)	Interest of controlled corporation	537,276,000 (L) (<i>Note 3</i>)	22.27 (L)

L: Long Position

S: Short Position

Notes:

- Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability, is wholly and beneficially owned by China Railway Logistics Limited ("China Railway"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM.
- This comprised of the long position in (i) 537,276,000 ordinary shares of the Company (the "Shares"); and (ii) 23,913,043 convertible preference shares of the Company which is convertible into 239,130,430 Shares.

3. Pursuant to the announcement of China Railway dated 4 March 2010, Top Status entered into the conditional sale and purchase agreement dated 3 March 2010 with China Coalfields International Group Limited (“China Coalfields”) to dispose its interest in 537,276,000 Shares.
4. China Coalfields, a company incorporated in Hong Kong with limited liability, is wholly and beneficially owned by Yiu Yat Hung.

Save as disclosed above, the Directors and the chief executive of the Company are not aware that there is any party who, as at 31 March 2010, had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the three months ended 31 March 2010, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had an interest in a business which causes any significant competition with the business of the Group.

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 internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors namely, Mr. Yeung Chi Tat (Chairman), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The unaudited financial results of the Group for the three months ended 31 March 2010 have been reviewed by the Audit Committee.

By Order of the Board
China Eco-Farming Limited
Tsang Chi Hin
Chief Executive Officer and Executive Director

Hong Kong, 10 May 2010

As at the date of this report, the chief executive officer and executive Director is Mr. Tsang Chi Hin; the executive Director is Mr. Chu Yu Man, Philip; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.