



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  
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 of the 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 “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting.*

## HIGHLIGHTS

### **Financial Highlights**

The Group recorded an unaudited revenue of approximately HK\$17,833,000 for the nine months ended 30 September 2010, representing a decrease of approximately 45.55% as compared with that for the corresponding period in 2009.

The unaudited loss for the period attributable to owners of the Company for the nine months ended 30 September 2010 amounted to approximately HK\$13,056,000, representing an increase of HK\$3,418,000, approximately 35.46% as compared with approximately HK\$9,638,000 for the corresponding period in 2009.

The board of directors (the "Board") of the Company do not recommend any payment of interim dividend for the nine months ended 30 September 2010.

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## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board present the unaudited condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the three months and nine months ended 30 September 2010 together with the comparative figures for the corresponding periods in 2009.

### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Revenue	3	6,049	2,000	17,833	32,754
Cost of sales		(5,979)	(1,980)	(17,617)	(31,940)
Gross profit		70	20	216	814
Other revenue	3	-	-	302	1
Administrative expenses		(4,616)	(3,110)	(12,873)	(7,773)
Finance costs	4	(207)	(558)	(701)	(1,524)
Results of the disposal group held for sales	5	-	(115)	-	(1,114)
Loss before taxation		(4,753)	(3,763)	(13,056)	(9,596)
Taxation	6	-	-	-	(42)
Loss for the period		(4,753)	(3,763)	(13,056)	(9,638)
Loss for the period attributable to:					
Owners of the Company		(4,753)	(3,763)	(13,056)	(9,638)
Non-controlling interests		-	-	-	-
		(4,753)	(3,763)	(13,056)	(9,638)
Dividend	7	-	-	-	-
Loss per share					
– Basic (in HK cents)	8	(0.21)	(0.49)	(0.57)	(1.25)
– Diluted (in HK cents)	8	N/A	N/A	N/A	N/A

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## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Expressed in Hong Kong dollars)

	For the three months ended 30 September		For the nine months ended 30 September	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Loss for the period	<b>(4,753)</b>	(3,763)	<b>(13,056)</b>	(9,638)
Exchange difference arising on translation of foreign operations, representing other comprehensive income for the period	-	-	-	1
Total comprehensive loss for the period	<b>(4,753)</b>	(3,763)	<b>(13,056)</b>	(9,637)
Total comprehensive loss attributable to:				
Owners of the Company	<b>(4,753)</b>	(3,763)	<b>(13,056)</b>	(9,637)
Non-controlling interests	-	-	-	-

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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 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)
Exchange differences arising on translation of foreign operations, representing other comprehensive loss for the period	-	-	-	-	-	-	1	-	1	-	1
Loss for the period	-	-	-	-	-	-	-	(9,638)	(9,638)	-	(9,638)
Total comprehensive loss for the period	-	-	-	-	-	-	1	(9,638)	(9,637)	-	(9,637)
At 30 September 2009	7,726	-	3,970	4,121	6,026	3,029	3,665	(39,243)	(10,706)	-	(10,706)
<b>At 1 January 2010</b>	<b>9,126</b>	<b>8,156</b>	<b>-</b>	<b>4,121</b>	<b>6,026</b>	<b>-</b>	<b>-</b>	<b>(31,444)</b>	<b>(4,015)</b>	<b>-</b>	<b>(4,015)</b>
Exchange differences arising on translation of foreign operations, representing other comprehensive loss for the period	-	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(13,056)	(13,056)	-	(13,056)
Total comprehensive loss for the period	-	-	-	-	-	-	-	(13,056)	(13,056)	-	(13,056)
Conversion of convertible preferences shares	15,120	3,154	-	(3,826)	-	-	-	-	14,448	-	14,448
At 30 September 2010	24,246	11,310	-	295	6,026	-	-	(44,500)	(2,623)	-	(2,623)

\* 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 30 September 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 30 September 2010.

Notes:

## 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 were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 5 February 2002. China Railway Logistics Limited ("CRLL") (a company incorporated in Bermuda with limited liability), which is also 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 as a result of the dilution caused by the issuance of 920,000,000 new shares of the Company pursuant to the exercise of conversion right attaching to the 92,000,000 convertible preference shares of the Company. The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and principal place of business of the Company is situated at 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 deregistration 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 (hereinafter collectively referred to as the "Group") are engaged in the business of one-stop value chain services. The one-stop value chain business provides 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 established in PRC whose functional currency was Renminbi ("RMB") and which were disposed in year 2009, the functional currency of the Group 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 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 on 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 nine months ended 30 September 2010 are consistent with those adopted in preparing the audited financial statements of the Group for the year ended 31 December 2009 except for the following amendments and interpretations ("New HKFRSs") issued by HKICPA which are or have become effective.

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

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>4</sup> Effective for annual periods beginning on or after 1 February 2010

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2011

<sup>6</sup> Effective for annual periods beginning on or after 1 July 2010

<sup>7</sup> 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 30 September		For the nine months ended 30 September	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Revenue:				
One-stop value chain services	6,049	2,000	17,833	32,754
Other revenue	-	-	302	1
	<b>6,049</b>	2,000	<b>18,135</b>	32,755



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## 4. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2010	2009	2010	2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Effective interest expense on convertible preference shares	56	407	252	1,190
Interest on loan from a former fellow subsidiary	151	151	449	334
	<b>207</b>	558	<b>701</b>	1,524

## 5. Results of the disposal group held for sale

On 29 September 2009, the Company entered into a conditional sale and purchase agreement to dispose its entire equity 100% interest in Chineseroad Incorporated ("Chineseroad"). Chineseroad and its subsidiaries ("Chineseroad Group") are principally engaged in knowledge management related network application systems and technology as well as provision of voice search engine portal services. The disposal was effected in order to realise its investment in Chineseroad Group and concentrate on the development of the current one-stop value chain services and/or release resources for development of other business opportunities. The disposal was completed on 9 December 2009, thereafter the control of Chineseroad Group passed to Skycomm International Limited.

The results of Chineseroad Group for the three months and nine months ended 30 September 2009 are as follows:

	For the three months ended 30 September 2009	For the nine months ended 30 September 2009
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other revenue	-	-
Administrative expenses	(115)	(1,114)
Finance costs	-	-
Loss before taxation	(115)	(1,114)
Taxation	-	-
Loss for the period	(115)	(1,114)

## 6. Taxation

Under the Law of the Peoples'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 PRC subsidiaries of the Group which were disposed in 2009 were "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 three months and nine months ended 30 September 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 the 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 three months and nine months ended 30 September 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 recognized due to the unpredictability of future profits streams.

## 7. Dividend

The Board do not recommend any payment of interim dividend for the nine months ended 30 September 2010 (2009: nil).

## 8. Loss per share

The calculation of the Group's basic loss per share for the three months and nine months ended 30 September 2010 and 2009, respectively, is based on the respective unaudited condensed consolidated loss for the period attributable to the owners of the Company of approximately HK\$4,753,000 (2009: HK\$3,763,000) and HK\$13,056,000 (2009: HK\$9,638,000), and the weighted average of 2,283,075,880 (2009: 772,599,690 (restated)) ordinary shares of HK\$0.01 each in issue during the three months and nine months ended 30 September 2010 and 2009.

No diluted loss per share for the three months and nine months ended 30 September 2010 and 2009, respectively, has been presented as the conversion of the Company's convertible preference shares would result in an anti-dilution effect.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

The Group is principally engaged in the provision of one-stop value chain services to information technology, telecommunication and advanced manufacturing industries. The one-stop value chain services cover and include services such as supply chain management, logistics management, distribution services and customer-focused design solutions.

### Financial Review

For the nine months ended 30 September 2010, the Group recorded a revenue of approximately HK\$17,833,000 (nine months ended 30 September 2009: approximately HK\$32,754,000), representing a decrease of approximately HK\$14,921,000 as compared with the last corresponding period. 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.

Administrative expenses increased to approximately HK\$12,873,000 for the nine months ended 30 September 2010 from approximately HK\$7,773,000 for the period ended 30 September 2009 mainly due to increased professional fee in assessing a potential investment.

In addition, the finance costs for the nine months ended 30 September 2010 was approximately HK\$701,000 (30 September 2009: approximately HK\$1,524,000) which was attributable to the effective interest expenses on convertible preference shares of the Company and a loan granted by a former fellow subsidiary of the Group.

The loss attributable to the owners of the Company for the nine months ended 30 September 2010 was approximately of HK\$13,056,000 (30 September 2009: approximately HK\$9,638,000). There was no diluted loss per share for the period ended 30 September 2010 and 2009.

## **Liquidity and Financial Resources**

The Group financed its business operations from internally generated resources and a loan from a former fellow subsidiary of the Group. As at 30 September 2010, the cash and cash equivalents balance of the Group was approximately HK\$9,266,000 (31 December 2009: approximately HK\$23,985,000).

As at 30 September 2010, the Group had net liabilities of approximately HK\$2,623,000 (31 December 2009: net liabilities of approximately HK\$4,015,000). The Group maintained net current liabilities of approximately HK\$1,149,000 (31 December 2009: net current assets of approximately HK\$23,410,000).

## **Capital Structure**

As at 30 September 2010, the Company's issued ordinary share capital was HK\$24,245,996.90 divided into 2,424,599,690 shares of HK\$0.01 each ("Shares") (31 December 2009: HK\$9,125,996.90 divided into 912,599,690 Shares). The issued convertible preference share capital was HK\$2,612,000 divided into 26,120,000 convertible preference shares of HK\$0.10 each ("CP Shares") (31 December 2009: HK\$20,000,000 divided into 200,000,000 CP Shares). CP Shares in the nominal value of HK\$17,388,000 were converted into 1,512,000,000 Shares during the nine months ended 30 September 2010.

## **Fund Raising Activities**

Reference is made to the Company's announcement dated 20 July 2010 in which the Board announced, among others, Share Placing, Subscription and CB Placing (the "Announcement").

In Share Placing, up to 135,000,000 Shares held by Top Status may be placed at HK\$0.46 per share to not less than 6 placees, all being professional or institutional investors. The estimated maximum gross and net proceeds from the Share Placing are approximately HK\$62,100,000 and HK\$61,000,000, respectively.

Under Subscription, a maximum of 135,000,000 Shares (the "Subscription Shares") may be subscribed by Top Status at HK\$0.46 per Share. However, as Top Status, being a substantial Shareholder, is a connected person to the Company, the Subscription constitutes a connected transaction. As such, it is subject to the independent Shareholders' approval to be obtained at a special general meeting of the Company (the "SGM").

Insofar as CB Placing is concerned, the Placing Agent has conditionally agreed to procure, on a best-effort basis, the subscription of convertible bonds up to a principal amount of US\$12,000,000 (approximately HK\$93,360,000) (the "Convertible Bonds") between 11 June 2010 and 31 March 2011. Based on the initial conversion price of HK\$0.62 per conversion Share, 150,580,645 new Shares (the "Conversion Shares") will be issued upon full and complete exercise of the conversion rights. The estimated maximum gross and net proceeds from the CB Placing are approximately US\$12,000,000 (approximately HK\$93,360,000) and HK\$90,000,000, respectively.

The special mandate for the issuance of the Subscription Shares and the Conversion Shares will be sought at the SGM. Proceeds from the Share Placing and the CB Placing would be invested in natural resources and energy related projects. Completion of the Subscription and the CB Placing is conditional upon, among others, the entering into of a legally binding agreement and the completion of the Proposed Investment (as reported under the section headed "Outlook" herein). As such, the Share Placing, Subscription and CB Placing may or may not proceed, and the SGM is expected to be convened after the legally binding agreement of the Proposed Investment is signed.

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies and Significant Investments**

On 28 September 2010, Grand Protection Holdings Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement (the "Agreement") with First Perfect Worldwide Limited in relation to, among others, the acquisition of (1) the entire 100% equity interest in Watson China Limited ("Watson China") and (2) the sale loan of HK\$3,948,041.04, at an aggregate consideration of HK\$4,000,001. Watson China is the holding company of a property located at Flat A, 7th Floor, Springfield Court, Nos. 50-56 Flower Market Road, Mongkok, Kowloon, Hong Kong (the "Property"). This acquisition constituted a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules, and was completed on 12 October 2010. Watson China thereafter becomes a wholly-owned subsidiary of the Company. The Group shall use the Property for investment purposes.

## Other Disclosure

On 29 April 2010, the Company entered into a letter agreement with Daewoo Securities (Hong Kong) Limited (“Daewoo Securities”) pursuant to which the latter was retained and engaged as financial adviser to the Company during the Engagement Period (the “Agreement”). The Engagement Period shall not be longer than 12 months from the execution of the Agreement. Furthermore, during the Engagement Period, Daewoo Securities will also act as placement agent to the Company in the private placement of securities, issuance of convertible bonds or bonds with warrants or exchangeable bonds (collectively, the “Securities”). It was contemplated that such Securities will be issued by the Company or affiliates of the Company in an aggregate principal amount of up to US\$100 million in a single transaction (the “Private Placement”). Details of the Private Placement had been set out in the announcement published by the Company on 29 April 2010. The Company will keep the investment public well informed of the progress of the Private Placement.

## Outlook

On 13 July 2010, Golden Jack Development Limited (“Golden Jack”), a wholly-owned subsidiary of the Company, entered into a framework agreement with an independent third party (being the sole shareholder and the sole beneficial owner of China Coalmines (Overseas) Group Limited (“CCOGL”)) and CCOGL (the “Framework Agreement”). Under the Framework Agreement, Golden Jack may invest in CCOGL by way of subscription of shares in CCOGL. CCOGL is a company incorporated in Hong Kong with limited liability (the “Proposed Investment”). On 7 July 2010, CCOGL and two other companies incorporated in the PRC entered into a Sino-foreign equity joint venture (“SFEJV”) agreement (“SFEJV Agreement”) for the purpose of equity investment in the SFEJV. The principal businesses of the SFEJV include, among others, investment in the power industry, chemical industry, advanced and innovative technology industry, coal mining-related business, transportation of coal, wholesale, retail and maintenance of mining-related equipment. The holding company of the SFEJV is a mega state-owned enterprise group which engages in coal mining and sales in various provinces in the PRC, a subsidiary of which is listed on the main board of the Stock Exchange. As at the date hereof, the aggregate amount of the first phase of investment in the SFEJV to be made by CCOGL pursuant to the SFEJV Agreement is approximately RMB2,000 million (approximately HK\$2,273 million).

As reported under the section headed “Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies and Significant Investments”, the Group has acquired the Property recently. The Board consider it is an opportune time to acquire the Property for investment purposes and believe that the residential property market in Hong Kong will continue to strengthen under the improving economic conditions of Hong Kong.

The Board will continue to seek other investment opportunities and to explore the feasibility of expansion into other business segments with a view to diversify the Group’s business portfolio aiming to enhance the Group’s profitability and the Shareholders’ value in the long run.

## **Events After The Reporting Period**

Reference is made to the announcement of the Company dated 6 October 2010 in respect of the suspension of trading in shares of the Company on the Stock Exchange since 16 August 2010 pending the publication of an announcement in relation to a very substantial acquisition (the “Transaction”).

As at the date hereof, the Company is still in the process of preparing the announcement in relation to the Transaction and the Directors consider that additional time is required for such purpose. An announcement setting out, among others, details of the Transaction will be published as and when appropriate. An application for resumption of trading in shares of the Company will be made after publication of the announcement in relation to the Transaction.

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

As at 30 September 2010, none of the Directors or the chief executive of the Company had any interests or short positions 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 to 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 or Debentures of the Company or any Associated Corporations" above, at no time during the period ended 30 September 2010 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 executive 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 30 September 2010, the following persons or companies other than the Directors or chief executive 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 and short positions in the shares and underlying shares of the Company:

Name	Capacity	Number of Shares and underlying Shares held or short positions	Approximate percentage of shareholding in the Company
Tai Kam Shing	Beneficial owner	1,285,645,977 (L) <i>(Note 1)</i>	53.03 (L)
China Railway Logistics Limited	Interest of controlled corporation	872,906,430 (L) <i>(Note 2)</i>	36.00 (L)
		633,776,000 (S) <i>(Note 3)</i>	26.14 (S)
Yiu Yat Hung	Interest of controlled corporation	537,276,000 (L) <i>(Note 4)</i>	22.16 (L)

*L: Long position*

*S: Short position*



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## Notes:

1. Pursuant to the Company's internal record, the Company believes that these Shares may represent a contingent and deemed interest on the part of Tai Kam Shing. The Company is in the process of clarifying this matter with Tai Kam Shing, which will be disclosed if necessary.
2. These shares are held directly by Top Status International Limited ("Top Status") (a company incorporated in the British Virgin Islands with limited liability). Top Status in turn is entirely owned by China Railway Logistics Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM (Stock code: 8089) ("China Railway"). These shares are comprised of (i) 645,776,000 Shares; and (ii) convertible preference shares of the Company in the principal amount of HK\$2,612,000 which may be converted into a maximum of 227,130,430 Shares.
3. 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. Such disposal is subject to approval by the shareholders of China Railway to be obtained at a special general meeting of China Railway to be convened and held for this purpose.
4. These Shares are to be acquired by China Coalfields pursuant to the conditional sale and purchase agreement reported in note 2 above. China Coalfields, a company incorporated in Hong Kong with limited liability, is owned by Yiu Yat Hung entirely.

Save as disclosed above, the Directors are not aware that there is any party who, as at 30 September 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.

## 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 nine months ended 30 September 2010.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES**

During the nine months ended 30 September 2010, neither the Company, nor any of its subsidiaries 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 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. Chau Chi Ming (chairman), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The unaudited condensed consolidated financial results of the Group for the nine months ended 30 September 2010 have been reviewed by the Audit Committee.

By Order of the Board

**China Eco-Farming Holdings Limited**

**Tsang Chi Hin**

*Chief Executive Officer and Executive Director*

Hong Kong, 29 October 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. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.*