

2011  
THIRD  
QUARTERLY  
REPORT



中國農業生態有限公司  
China Eco-Farming Limited

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



## **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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This report, for which the directors of China Eco-Farming Limited (the “Company”) (the “Director(s)”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

*This report will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and “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\$16,706,000 for the nine months ended 30 September 2011 representing a decrease of approximately 6% as compared with approximately HK\$17,833,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the nine months ended 30 September 2011 was approximately HK\$9,936,000, representing a decrease of approximately 24% as compared with approximately HK\$13,056,000 for the last corresponding period.

The board of directors of the Company (the "Board") does not recommend any payment of interim dividend for the nine months ended 30 September 2011.

## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 2011 together with the comparative figures for the last corresponding periods.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

|  | Notes | For the three months ended 30 September |                | For the nine months ended 30 September |                |
|--|-------|---|----------------|--|----------------|
|  |       | 2011<br>\$'000                          | 2010<br>\$'000 | 2011<br>\$'000                         | 2010<br>\$'000 |
| Revenue  | 3     | <b>4,848</b>                            | 6,049          | <b>16,706</b>                          | 17,833         |
| Cost of sales  |       | <b>(2,522)</b>                          | (5,979)        | <b>(9,789)</b>                         | (17,617)       |
| Gross profit   |       | <b>2,326</b>                            | 70             | <b>6,917</b>                           | 216            |
| Other revenue  | 3     | <b>1</b>                                | –              | <b>26</b>                              | 302            |
| Administrative expenses  |       | <b>(5,287)</b>                          | (4,616)        | <b>(15,639)</b>                        | (12,873)       |
| Finance costs  | 4     | <b>(482)</b>                            | (207)          | <b>(1,240)</b>                         | (701)          |
| Loss before taxation   |       | <b>(3,442)</b>                          | (4,753)        | <b>(9,936)</b>                         | (13,056)       |
| Taxation   | 5     | <b>–</b>                                | –              | <b>–</b>                               | –              |
| Loss for the period and total comprehensive expense for the period attributable to owners of the Company |       | <b>(3,442)</b>                          | (4,753)        | <b>(9,936)</b>                         | (13,056)       |
| Loss per share   |       |   |                |  |                |
| – Basic and diluted<br>(HK cents)  | 7     | <b>(0.14)</b>                           | (0.21)         | <b>(0.41)</b>                          | (0.57)         |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the nine months ended 30 September 2011 (Expressed in Hong Kong dollars)*

|  | Attributable to owners of the Company |                            |  |                              |                                 |                 |
|--|---------------------------------------|----------------------------|--|------------------------------|---------------------------------|-----------------|
|  | Share<br>capital<br>\$'000            | Share<br>premium<br>\$'000 | Equity<br>component<br>of<br>convertible<br>preference<br>shares<br>\$'000 | Special<br>reserve<br>\$'000 | Accumulated<br>losses<br>\$'000 | Total<br>\$'000 |
| <b>At 1 January 2010</b>   | 9,126                                 | 8,156                      | 4,121  | 6,026                        | (31,444)                        | (4,015)         |
| Loss for the period, representing<br>total comprehensive expense<br>for the period | –                                     | –                          | –  | –                            | (13,056)                        | (13,056)        |
| Conversion of convertible<br>preference shares                                     | 15,120                                | 3,154                      | (3,826)  | –                            | –                               | 14,448          |
| <b>At 30 September 2010</b>  | 24,246                                | 11,310                     | 295  | 6,026                        | (44,500)                        | (2,623)         |
| <b>At 1 January 2011</b>   | 24,246                                | 11,066                     | 538  | 6,026                        | (46,645)                        | (4,769)         |
| Loss for the period, representing<br>total comprehensive expense<br>for the period | –                                     | –                          | –  | –                            | (9,936)                         | (9,936)         |
| <b>At 30 September 2011</b>  | <b>24,246</b>                         | <b>11,066</b>              | <b>538</b>   | <b>6,026</b>                 | <b>(56,581)</b>                 | <b>(14,705)</b> |

## **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organisation and operation**

China Eco-Farming Limited 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 since 5 February 2002. The registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The head office and principal place of business of the Company is Room 1301, 13/F, the Centre Mark, 287-299 Queen's Road Central, Hong Kong. The Directors do not consider there is any company being the ultimate holding company or parent company of the Company during the nine months ended 30 September 2011.

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 Group is principally engaged in the provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries, health care business and real property investment.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Group.

### **2. Principal accounting policies and basis of preparation**

The unaudited 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 and with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial results have been prepared on the historical cost basis except for the investment properties and the financial instruments that are measured at fair values.

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the nine months ended 30 September 2011 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2010 except for the following amendments and interpretation ("New HKFRSs") issued by the HKICPA which are or have become effective:

|                                 |  |
|---------------------------------|--|
| HKFRSs (Amendments)             | Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28 <sup>1</sup> |
| HKFRS 1 (Amendments)            | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters <sup>2</sup>                                  |
| HKFRS 1 (Amendments)            | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>3</sup>  |
| HKFRS 7 (Amendments)            | Disclosures – Transfers of Financial Assets <sup>5</sup>   |
| HKFRS 9                         | Financial Instruments <sup>7</sup>   |
| HKAS 12 (Amendments)            | Deferred Tax: Recovery of Underlying Assets <sup>6</sup>   |
| HKAS 24 (Revised)               | Related Party Disclosures <sup>4</sup>   |
| HKAS 32 (Amendments)            | Classification of Rights Issues <sup>2</sup>   |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement <sup>4</sup>  |
| HK(IFRIC) – Int 19              | Extinguishing Financial Liabilities with Equity Instruments <sup>3</sup>   |

<sup>1</sup> *Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 February 2010.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 July 2010.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2011.*

<sup>5</sup> *Effective for annual periods beginning on or after 1 July 2011.*

<sup>6</sup> *Effective for annual periods beginning on or after 1 January 2012.*

<sup>7</sup> *Effective for annual periods beginning on or after 1 January 2013.*

The adoption of the 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.

# China Eco-Farming Limited

## Third Quarterly Report 2011

### 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<br>ended 30 September |                                 | For the nine months<br>ended 30 September |                                 |
|-------------------------------|--|---------------------------------|---|---------------------------------|
|                               | 2011<br>(Unaudited)<br>HK\$'000            | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000           | 2010<br>(Unaudited)<br>HK\$'000 |
| Revenue:                      |  |                                 |   |                                 |
| One-stop value chain services | -  | 6,049                           | 2,401                                     | 17,833                          |
| Health care services          | 4,720                                      | -                               | 14,012                                    | -                               |
| Rental income (Note)          | 128  | -                               | 293                                       | -                               |
|                               | <b>4,848</b>                               | 6,049                           | <b>16,706</b>                             | 17,833                          |
| Other revenue                 | 1  | -                               | 26  | 302                             |
|                               | <b>4,849</b>                               | 6,049                           | <b>16,732</b>                             | 18,135                          |

Note:

|  | For the three months<br>ended 30 September |                                 | For the nine months<br>ended 30 September |                                 |
|--|--|---------------------------------|---|---------------------------------|
|  | 2011<br>(Unaudited)<br>HK\$'000            | 2010<br>(Unaudited)<br>HK\$'000 | 2011<br>(Unaudited)<br>HK\$'000           | 2010<br>(Unaudited)<br>HK\$'000 |
| Gross rental income                            | 128  | -                               | 293                                       | -                               |
| Less: outgoings (included in<br>cost of sales) | (3)  | -                               | (12)                                      | -                               |
| Net rental income                              | 125  | -                               | 281                                       | -                               |



**4. Finance costs**

|  | <b>For the three months ended 30 September</b> |                         | <b>For the nine months ended 30 September</b> |                         |
|--|--|-------------------------|---|-------------------------|
|  | <b>2011</b>                                    | 2010                    | <b>2011</b>                                   | 2010                    |
|  | <b>(Unaudited)</b><br><b>HK\$'000</b>          | (Unaudited)<br>HK\$'000 | <b>(Unaudited)</b><br><b>HK\$'000</b>         | (Unaudited)<br>HK\$'000 |
| Interest on bank loans repayable within five years                   | <b>122</b>                                     | –                       | <b>164</b>                                    | –                       |
| Effective interest expense on convertible preference shares          | <b>60</b>                                      | 56                      | <b>176</b>                                    | 252                     |
| Interest on loan from former fellow subsidiaries/a fellow subsidiary | <b>300</b>                                     | 151                     | <b>900</b>                                    | 449                     |
|  | <b>482</b>                                     | 207                     | <b>1,240</b>                                  | 701                     |

**5. Taxation**

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods ended 30 September 2011 and 2010. No provision for Hong Kong Profits Tax has been made for both periods as the Group does not have any assessable profit subject to Hong Kong Profits Tax for both periods.

No deferred tax asset has been recognised due to the unpredictability of future profits streams. The losses may be carried forward indefinitely.

**6. Dividend**

The Board does not recommend any payment of interim dividend for the nine months ended 30 September 2011 (2010: Nil).

**7. Loss per share**

The calculation of basic loss per share for the three months and nine months ended 30 September 2011 and 2010 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$3,442,000 (2010: HK\$4,753,000) and HK\$9,936,000 (2010: HK\$13,056,000), and the weighted average of 2,424,599,690 (2010: 2,283,075,880) ordinary shares of HK\$0.01 each in issue during the three months and nine months ended 30 September 2011 and 2010.

The basic and diluted loss per share will be the same as the computation of diluted loss per share was prepared on the assumption of no conversion of the Company's outstanding convertible preference shares of which the exercise may result in a decrease in loss per share.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Overview

The Group has been principally engaged in the provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries; health care business and real property investment.

The telecommunications and IT business recorded an unaudited revenue of approximately HK\$2,401,000 for the period under review (nine months ended 30 September 2010: approximately HK\$17,833,000), representing a decrease of approximately 87% as compared to the last corresponding period. This decrease was mainly due to uncertainties in the global external environment and the keen competition in the telecommunication markets in HK and the PRC.

A rental income of approximately HK\$293,000 was recorded for the period under review. As at 30 September 2011, the Group held real properties in Hong Kong for investment purposes amounted to approximately HK\$10,770,000 (31 December 2010: approximately HK\$10,770,000).

The health care services business, which commenced in the fourth quarter of 2010, contributed a revenue of approximately HK\$14,012,000 for the period under review. It represented approximately 84% of the Group's revenue for the period under review.

### Financial Review

During the nine months ended 30 September 2011, the Group recorded an unaudited revenue of approximately HK\$16,706,000 (nine months ended 30 September 2010: approximately HK\$17,833,000), representing a decrease of approximately 6% as compared with the last corresponding period.

Cost of sales during the nine months ended 30 September 2011 was approximately HK\$9,789,000 (nine months ended 30 September 2010: approximately HK\$17,617,000), representing a decrease of approximately 44% as compared with the last corresponding period. The gross profit ratio increased from approximately 1% for the nine months ended 30 September 2010 to approximately 41% for the nine months ended 30 September 2011. This significant increase was due to the commencement of our health care services business since the fourth quarter of 2010.

Administrative expenses during the nine months ended 30 September 2011 was approximately HK\$15,639,000 (nine months ended 30 September 2010: approximately HK\$12,873,000), representing an increase of approximately 21% as compared with the last corresponding period. This increase was mainly due to our expansion into the business of healthcare services.

Finance costs during the nine months ended 30 September 2011 was approximately HK\$1,240,000 (nine months ended 30 September 2010: approximately HK\$701,000), representing an increase of approximately 77% as compared with the last corresponding period. The increase was mainly due to an increase in loan interest payment.

The unaudited loss attributable to owners of the Company for the nine months ended 30 September 2011 was approximately HK\$9,936,000 (nine months ended 30 September 2010: approximately HK\$13,056,000). As a result, the basic loss per share of the Company decreased from HK0.57 cent for the nine months ended 30 September 2010 to HK0.41 cent for the nine months ended 30 September 2011.

### **Liquidity and Financial Resources**

The Group financed its business operations with internally generated resources, secured bank loans and a loan from former fellow subsidiaries of the Group during the period under review. As at 30 September 2011, the cash and cash equivalents of the Group was approximately HK\$2,579,000 (31 December 2010: approximately HK\$3,404,000).

As at 30 September 2011, the net liabilities of the Group was approximately HK\$14,705,000 (31 December 2010: net liabilities of approximately HK\$4,769,000) and the net current liabilities was approximately HK\$27,078,000 (31 December 2010: net current assets of approximately HK\$2,105,000).

As at 30 September 2011, the total liabilities of the Group amounted to approximately HK\$33,700,000 (31 December 2010: approximately HK\$25,872,000), which mainly comprised other payables and accruals, amount due to a former fellow subsidiary, secured bank loans, a loan from former fellow subsidiaries and the liability component of convertible preference shares of the Company.

As at 30 September 2011, the Group held total assets of approximately HK\$18,995,000 (31 December 2010: approximately HK\$21,103,000).

### **Capital Structure**

There was no change in the Company's capital structure during the nine months ended 30 September 2011. As at 30 September 2011, 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 2010: HK\$24,245,996.90 divided into 2,424,599,690 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 2010: HK\$2,612,000 divided into 26,120,000 CP Shares).

### **Fund Raising Activities**

The Company entered into a placing agreement with Fortune (HK) Securities Limited (as the placing agent) on 10 December 2010 (as amended and supplemented by a supplemental placing agreement on 21 December 2010, a second supplemental placing agreement on 7 March 2011 and a third supplemental placing agreement on 7 June 2011) in relation to the placing on a fully-underwritten basis of 300,000,000 new Shares at the placing price of HK\$0.09 per share during the period commencing from execution of the placing agreement on 10 December 2010 to 12 August 2011. On 12 August 2011, a deed of settlement was entered into between the Company and a placing agent, pursuant to which the Company and the placing agent agreed to terminate the placing agreement with immediate effect. For further details, please refer to the Company's announcements dated 13 December 2010, 21 December 2010, 7 March 2011, 7 June 2011 and 12 August 2011, respectively.

### **Material Acquisitions and Disposals of Subsidiaries and Real Properties**

Save as disclosed above, the Group did not have any other material acquisition or disposal of any of its subsidiaries or real properties during the period under review.

### **Significant Investments**

Save as disclosed above, the Group did not possess any significant investment during the period under review.

## **Outlook**

During the period under review, the Group on the one hand continued its principal businesses of provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries, health care business and real property investment, while on the other has kept evaluating opportunities to acquire new businesses with a view to diversify its revenue source both in terms of business segments and geographical locations. The Board will continue to adopt a positive yet prudent approach in its investment strategy and 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.

## **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 2011, 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 was required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which was required to be notified to the Company and to the Stock Exchange pursuant to the required standard of dealing by Directors as referred to in rule 5.46 of the GEM Listing Rules.

## 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 nine months ended 30 September 2011, 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 nine months ended 30 September 2011.

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 30 September 2011, the following parties, other than the Directors or the chief executive of the Company, had interests or short positions in the shares and underlying shares of the Company as 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                           | Shares                      |  | Underlying Shares           |  |
|--|------------------------------------|-----------------------------|--|-----------------------------|--|
|  |                                    | Number of Shares            | Approximate percentage of the issued share capital<br>(Note 1) | Number of underlying Shares | Approximate percentage of the issued share capital<br>(Note 1) |
| China Railway Logistics Limited              | Interest of controlled corporation | 510,776,000 (L)<br>(Note 2) | 21.07%   | 227,130,430 (L)<br>(Note 3) | 9.37%  |
| Top Status International Limited             | Beneficial owner                   | 510,776,000 (L)<br>(Note 2) | 21.07%   | 227,130,430 (L)<br>(Note 3) | 9.37%  |
| Yiu Yat Hung                                 | Interest of controlled corporation | 537,276,000 (L)<br>(Note 4) | 22.16%   | -                           | -  |
| China Coalfields International Group Limited | Beneficial owner                   | 537,276,000 (L)<br>(Note 4) | 22.16%   | -                           | -  |

\* The Letter "L" denotes a long position in the Shares or the underlying Shares.

*Notes:*

1. As at 30 September 2011, 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.
2. These shares are held by Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability. Top Status is in turn wholly-owned by China Railway Logistics Limited (Stock code: 8089) ("China Railway"), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM of the Stock Exchange. As such, China Railway is deemed to be interested in these shares.
3. These underlying shares represent a maximum of 227,130,430 new Shares that may be issued to satisfy the conversion rights attached to the convertible preference shares of the Company held by Top Status. Top Status is in turn wholly-owned by China Railway. As such, China Railway is deemed to be interested in these shares.
4. These shares are held by China Coalfields International Group Limited ("China Coalfields"), a company incorporated in Hong Kong with limited liability. China Coalfields is in turn wholly-owned by Yiu Yat Hung. As such, Yiu Yat Hung is deemed to be interested in these shares.

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 30 September 2011 as recorded in the register required to be kept by the Company under 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 competes or may compete with the business of the Group or had or may have any other conflict of interest with the Group during the nine months ended 30 September 2011.

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

During the nine months ended 30 September 2011, 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 the Audit Committee are to review and supervise the financial reporting process and the internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Mr. Chau Chi Ming (Chairman of the Audit Committee), 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 2011 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, 28 October 2011

*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.*