



**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 **2013**



## **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.**

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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\$4,331,000 for the three months ended 31 March 2013, representing a decrease of approximately 42.41% as compared with approximately HK\$7,521,000 for the corresponding period in 2012.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2013 amounted to approximately HK\$5,208,000, representing an increase of approximately 26.16% as compared with approximately HK\$4,128,000 for the corresponding period in 2012.

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2013.

## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2013 together with the comparative figures for the corresponding period in 2012.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

|  |              | <b>For the three months<br/>ended 31 March</b> |                  |
|--|--------------|--|------------------|
|  | <i>NOTES</i> | <b>2013<br/>HK\$'000</b>                       | 2012<br>HK\$'000 |
| Revenue  | 3            | <b>4,331</b>                                   | 7,521            |
| Cost of sales  |              | <b>(2,676)</b>                                 | (5,403)          |
| Gross profit   |              | <b>1,655</b>                                   | 2,118            |
| Other revenue  | 3            | <b>67</b>                                      | 2                |
| Administrative expenses  |              | <b>(6,494)</b>                                 | (5,671)          |
| Finance costs  | 4            | <b>(522)</b>                                   | (577)            |
| Gain on disposal of subsidiary   |              | <b>86</b>                                      | –                |
| Loss before taxation   |              | <b>(5,208)</b>                                 | (4,128)          |
| Taxation   | 5            | –  | –                |
| Loss for the period, representing total comprehensive expense for the period |              | <b>(5,208)</b>                                 | (4,128)          |
| Loss per share   | 7            |  |                  |
| Basic and diluted ( <i>HK cents</i> )  |              | <b>(0.18)</b>                                  | (0.17)           |

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2013 (Expressed in Hong Kong dollars)

|  | 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 2012</b>   | 24,246                     | 11,066                     | 538  | 6,026                        | (59,303)                        | (17,427)        |
| Placing of new shares  | 2,800                      | 16,240                     | -  | -                            | -                               | 19,040          |
| Transaction costs attributable<br>to placing of new shares                         | -                          | (592)                      | -  | -                            | -                               | (592)           |
| Loss for the period, representing<br>total comprehensive expense<br>for the period | -                          | -                          | -  | -                            | (4,128)                         | (4,128)         |
| <b>At 31 March 2012</b>  | 27,046                     | 26,714                     | 538  | 6,026                        | (63,431)                        | (3,107)         |
| <b>At 1 January 2013</b>   | 29,317                     | 27,593                     | -  | 6,026                        | (80,334)                        | (17,398)        |
| Loss for the period, representing<br>total comprehensive expense<br>for the period | -                          | -                          | -  | -                            | (5,208)                         | (5,208)         |
| <b>At 31 March 2013</b>  | <b>29,317</b>              | <b>27,593</b>              | <b>-</b>   | <b>6,026</b>                 | <b>(85,542)</b>                 | <b>(22,606)</b> |

## **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 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 of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

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.

During the three months ended 31 March 2013, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the health care services, trading of ceramic products, property investment and one-stop value chain services.

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

### **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 and certain 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 three months ended 31 March 2013 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2012 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

|   |   |
|---|---|
| Amendments to HKFRSs                          | Annual Improvements to HKFRSs 2009-2011 Cycle <sup>1</sup>  |
| Amendments to HKFRS 1                         | First-time Adoption of HKFRSs – Government Loans <sup>1</sup>   |
| Amendments to HKFRS 7                         | Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>1</sup>  |
| Amendments to HKFRS 7 and HKFRS 9             | Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>2</sup>   |
| Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance <sup>1</sup> |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27  | Investment Entities <sup>2</sup>  |
| HKFRS 9                                       | Financial Instruments <sup>3</sup>  |
| HKFRS 10                                      | Consolidated Financial Statements <sup>1</sup>  |
| HKFRS 11                                      | Joint Arrangements <sup>1</sup>   |
| HKFRS 12                                      | Disclosure of Interests in Other Entities <sup>1</sup>  |
| HKFRS 13                                      | Fair Value Measurement <sup>1</sup>   |
| HKAS 19 (as revised in 2011)                  | Employee Benefits <sup>1</sup>  |
| HKAS 27 (as revised in 2011)                  | Separate Financial Statements <sup>1</sup>  |
| HKAS 28 (as revised in 2011)                  | Investments in Associates and Joint Ventures <sup>1</sup>   |
| Amendments to HKAS 1                          | Presentation of Items of Other Comprehensive Income <sup>4</sup>  |
| Amendments to HKAS 32                         | Offsetting Financial Assets and Financial Liabilities <sup>2</sup>  |
| HK(IFRIC) – Int 20                            | Stripping Costs in the Production Phase of a Surface Mine <sup>1</sup>  |

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

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2014.*

<sup>3</sup> *Effective for annual periods beginning on or after 1 January 2015.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 July 2012.*

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:

|                               | <b>For the three months<br/>ended 31 March</b> |             |
|-------------------------------|--|-------------|
|                               | <b>2013</b>                                    | 2012        |
|                               | <b>(Unaudited)</b>                             | (Unaudited) |
|                               | <b>HK\$'000</b>                                | HK\$'000    |
| Revenue:                      |  |             |
| Health care services          | <b>4,331</b>                                   | 4,667       |
| Trading of ceramic products   | –  | 2,745       |
| Rental income ( <i>note</i> ) | –  | 109         |
| One-stop value chain services | –  | –           |
|                               | <b>4,331</b>                                   | 7,521       |
| Other revenue                 | <b>67</b>                                      | 2           |
|                               | <b>4,398</b>                                   | 7,523       |

Note:

|  | <b>For the three months<br/>ended 31 March</b> |             |
|--|--|-------------|
|  | <b>2013</b>                                    | 2012        |
|  | <b>(Unaudited)</b>                             | (Unaudited) |
|  | <b>HK\$'000</b>                                | HK\$'000    |
| Gross rental income                        | –  | 109         |
| Less: outgoing (included in cost of sales) | –  | (3)         |
| Net rental income                          | –  | 106         |



#### 4. Finance costs

|  | <b>For the three months<br/>ended 31 March</b> |             |
|--|--|-------------|
|  | <b>2013</b>                                    | 2012        |
|  | <b>(Unaudited)</b>                             | (Unaudited) |
|  | <b>HK\$'000</b>                                | HK\$'000    |
| Interest on bank loans, wholly repayable within five years             | <b>76</b>                                      | 157         |
| Interest on other loans  | <b>201</b>                                     | 64          |
| Effective interest expense on convertible preference shares            | <b>-</b>                                       | 61          |
| Interest on loans from a former fellow subsidiary and<br>a shareholder | <b>245</b>                                     | 295         |
|  | <b>522</b>                                     | 577         |

#### 5. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2013 and 2012. 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 do not recommend any payment of interim dividend for the three months ended 31 March 2013 (2012: Nil).

#### 7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2013 and 2012 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$5,208,000 (2012: HK\$4,128,000) and the weighted average of 2,931,730,120 (2012: 2,464,599,690 Shares) ordinary shares of HK\$0.01 each (the "Shares") in issue during the three months ended 31 March 2013.

The computation of diluted loss per share for the period ended 31 March 2013 is the same as the basic loss per share as there was no outstanding dilutive potential ordinary share.

The computation of diluted loss per share for the period ended 31 March 2012 is same as the basis loss per share as the assumed exercise of diluting events has an anti-dilutive effect.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

During the three months ended 31 March 2013 (the "Reporting Period"), the Group has been principally engaged in the health care services, trading of ceramic products, property investment and the one-stop value chain services.

#### **Health Care Services**

In respect of the management of health care services business, during the Reporting Period, this business segment reported a revenue of approximately HK\$4,331,000 (three months ended 31 March 2012: HK\$4,667,000), representing a decrease of approximately 7.19% as compared with the last corresponding period. The slightly decrease in revenue should be due to unstable economic environment affecting consumer spending.

The Board is putting more resources on marketing and promotion, and expanding the beauty, facial and skincare services in order to broaden the customer base so as to boost the revenue and increase profit margin.

#### **Trading of Ceramic Products**

In respect of trading of ceramic products business during the Reporting Period, this business segment has not generated any revenue (three months ended 31 March 2012: HK\$2,745,000) for the Reporting Period.

During the Reporting Period, due to the slowdown of the domestic economic growth, the industry has been hit by the decrease in the product demand. In the year of 2013, it is expected that the market condition of this industry will not significantly improve. Facing with the adverse factors, the Group is re-considering the market situation and will continue to adopt appropriate business plans in order to find the business opportunities in this business segment.

#### **Property Investment**

At 31 March 2013, the Group held properties in Hong Kong for investment purpose amounted to approximately HK\$7,420,000 (31 December 2012: HK\$7,420,000).

During the Reporting Period, this business segment has not generated any revenue (three months ended 31 March 2012: HK\$109,000).

The Group has been proactively identifying reliable tenants for enhancing its source of rental income. Given increase in demand of the property market in Hong Kong, the Board is confident that the rental income will continue to benefit from the growth trend.

### **One-stop Value Chain Services**

The IT and telecommunications business of the Group has not generated any revenue during the Reporting Period (three months ended 31 March 2012: Nil). This was mainly due to global economic downturns, fast changing technologies of the industry and keen competition among players in the PRC.

The keen competition in the manufacturing market in Hong Kong and the PRC always results in low profit margin. This together with the escalating operating costs and the need for capital expenditure pose high threats to the profitability and viability of the existing business. Therefore, the operation of this business segment has not generated any revenue for the three months ended 31 March 2013. The Group will continue to take further steps to explore more business opportunities in this business segment.

### **FINANCIAL REVIEW**

During the Reporting Period, the Group recorded a revenue of approximately HK\$4,331,000 (three months ended 31 March 2012: approximately HK\$7,521,000), representing a decrease of approximately 42.41% as compared with the last corresponding period. It was because one-stop value chain services, trading of ceramic products and property investment has not generated revenue during the Reporting Period.

Cost of sales for the Reporting Period amounted to approximately HK\$2,676,000 (three months ended 31 March 2012: approximately HK\$5,403,000), representing a decrease of approximately 50.47% as compared with the last corresponding period. This decrease was in line with the decrease in revenue for the period.

Administrative expenses for the Reporting Period amounted to approximately HK\$6,494,000 (three months ended 31 March 2012: approximately HK\$5,671,000), representing an increase of approximately 14.51% as compared with the last corresponding period. This increase was mainly due to increase in professional fee expenses and rental expenses.

Finance costs for the Reporting Period was approximately HK\$522,000 (three months ended 31 March 2012: approximately HK\$577,000), representing a decrease of approximately 9.53% as compared with the last corresponding period. The decrease was mainly due to the decrease in effective interest on convertible preference shares upon conversion.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$5,208,000 (three months ended 31 March 2012: approximately HK\$4,128,000). As a result, the basic loss per share of the Company was increased from HK0.17 cent for the three months ended 31 March 2012 to HK0.18 cent for the Reporting Period.

### **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 2013, the cash and cash equivalent of the Group was approximately HK\$519,000 (31 December 2012: approximately HK\$79,000).

At 31 March 2013, the net liabilities of the Group was approximately HK\$22,606,000 (31 December 2012: HK\$17,398,000) and the net current liabilities was approximately HK\$23,444,000 (31 December 2012: net current liabilities of approximately HK\$25,292,000).

### **Capital Structure**

As at 31 March 2013, the issued ordinary share capital with an aggregate nominal value of HK\$29,317,301.20 is divided into 2,931,730,120 ordinary shares of HK\$0.01 each ("Share(s)") (31 December 2012: HK\$29,317,301.20 divided into 2,931,730,120 Shares).

### ***Convertible Bonds***

Reference is made to the announcements and the circular (the "Circular") of the Company dated 22 February 2013, 29 April 2013, 30 April 2013 and 12 April 2013, respectively, in relation to, among other things, the connected transaction involving the issue of the convertible bonds in the principal amount of HK\$34.5 million. Unless otherwise stated, terms used herein shall have the same meanings as defined in the Circular. All conditions precedent to the Subscription Agreement had been fulfilled and the Subscription was completed on 30 April 2013. At completion of the Subscription, the convertible bonds in the principal amount of HK\$34.5 million were issued to the Subscriber in accordance with the terms of the Subscription Agreement. For details, please refer to the below section headed "Fund Raising Activities and Events after the Reporting Period".

### **Fund Raising Activities and Events after the Reporting Period**

#### ***Issue of Convertible Bonds***

On 22 February 2013, the Company and Top Status International Limited ("Top Status") entered into a subscription agreement (the "Subscription Agreement") in connection with the issue by the Company of convertible bonds to Top Status in the aggregate principal amount of HK\$34.5 million (the "Convertible Bonds"). Top Status was a wholly-owned subsidiary of China Railway Logistics Limited, the ultimate substantial shareholder of the Company and thus, a connected person of the Company and the Subscription Agreement constituted a connected transaction under the GEM Listing Rules. Upon full conversion of the Convertible Bonds, up to a maximum of 3,450,000,000 new conversion shares shall be issued.

The estimated net proceeds from the Subscription will be approximately HK\$33.72 million (after deducting all relevant expenses), representing a net conversion price of approximately HK\$0.0098 per conversion share. The Board intends to apply the net proceeds from the Subscription (i) of which HK\$11 million to set off against part of the Outstanding Indebtedness; (ii) of which approximately HK\$0.8 million will be paid for other loan interests of the Group; and (iii) the balance of which in the amount of approximately HK\$21.92 million will be utilised as general working capital of the Company, including but not limited to, the overheads of the Group, such as salaries and allowances, rental and building management fee.

In order to facilitate the possible issue of the conversion shares and provide for future expansion in the share capital of the Company, the Directors proposed that the authorised share capital of the Company be increased from HK\$50,000,000 to HK\$100,000,000 (divided into 8,260,869,570 ordinary shares and 173,913,043 convertible preference shares of the Company at par values of HK\$0.01 and HK\$0.10 respectively) by the creation of an additional 5,000,000,000 new ordinary shares.

On 29 April 2013, the Company held a special general meeting (the "SGM") and in the SGM the ordinary resolution to ratify, confirm and approve the Subscription Agreement and the transactions contemplated thereunder and to authorize directors of the Company to allot and issue such number of Conversion Shares and authorize any directors of the Company to do all such acts and thing and execute all such documents necessary to give effect to the Subscription Agreement and the transactions contemplated thereunder and proposed increase in authorized share capital were duly passed by the shareholders of the Company by way of poll. With all the conditions of the Subscription Agreement having been fulfilled, the Subscription was completed on 30 April 2013. At completion, the convertible bonds in the principal amount of HK\$34.5 million were issued to the Subscriber in accordance with the terms of the Subscription Agreement.

For details, please refer to the Company's announcements dated 22 February 2013, 29 April 2013 and 30 April 2013 and circular dated 12 April 2013 respectively.

## **OUTLOOK**

For the health care services business, the Board is putting more resources on marketing and promotion, and expanding the beauty, facial and skincare services in order to broaden the customer base. Together with the increasing number of individual travelers from PRC, the Board believes that the income from this business segment will continue to benefit from this growth trend.

The Group believes the scale of the IT and telecommunications market and the increasing relax in regulatory framework in China still unveil a potential opportunity despite the difficult market environment and competitive landscape. The Group will continue to take the appropriate steps to align its investment with objectives and review its business portfolio where it is appropriate to increase its shareholder value.

The Group seeks investment opportunities and focuses on long-term business development. It also aims to diversify the business portfolio by exploring the feasibility of expansion into other business segments. The Group continued its principal businesses of health care services, trading of ceramic products, property investment and provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries in future. The Group will also keep evaluating opportunities to acquire new businesses with a view to diversify its source of revenue from different 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 31 March 2013, 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 the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Director.

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

Save for 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 and the share option scheme of the Company, 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 and having made due enquiries, as at 31 March 2013, the following persons or companies, other than the directors or chief executive of the Company, had interests or short positions directly or indirectly in the shares or underlying shares of the Company disclosed to the Company under the provisions of Divisions 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 were as follows:

### 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><i>(Note 1)</i> | Number of underlying Shares            | Approximate percentage of the issued share capital<br><i>(Note 1)</i> |
| China Railway Logistics Limited  | Interest of controlled corporation | 737,906,430 (L)<br><i>(Note 2)</i> | 25.17%  | 3,450,000,000<br><i>(Note 2 and 3)</i> | 117.68%   |
| Top Status International Limited | Beneficial owner                   | 737,906,430 (L)<br><i>(Note 2)</i> | 25.17%  | 3,450,000,000<br><i>(Note 2 and 3)</i> | 117.68%   |

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

#### Notes:

- As at 31 March 2013, the Company's issued ordinary share capital was HK\$29,317,301.20 divided into 2,931,730,120 Shares of HK\$0.01 each.
- Pursuant to the corporate substantial shareholder notices filed by Top Status International Limited ("Top Status") and China Railway Logistics Limited (Stock code: 8089) ("China Railway"), these Shares are held by Top Status and China Railway. Top Status, which is a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Rich Best Asia Limited ("Rich Best"), a company incorporated in the British Virgin Islands. Rich Best is in turn wholly-owned by 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, each of Rich Best and China Railway is deemed to be interested in these shares.
- Pursuant to a subscription agreement entered into on 22 February 2013 with respect of the subscription of the convertible bonds in principal amount of HK\$34,500,000, the Company shall issue convertible bonds in principal amount of HK\$34,500,000 convertible into 3,450,000,000 new shares at conversion price of HK\$0.01 per Share. All conditions precedent to the Subscription Agreement had been fulfilled and the subscription was completed on 30 April 2013.

Save for disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 31 March 2013 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 compete with the business of the Group or has or may have any other conflict of interest with the Group 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 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 three months ended 31 March 2013 have been reviewed by the members of the Audit Committee.

By Order of the Board

**China Eco-Farming Limited**

**Tsang Chi Hin**

*Chief Executive and Executive Director*

Hong Kong, 13 May 2013

*As at the date of this report, the chief executive 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.*