



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

2014



## **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\$5,069,000 for the three months ended 31 March 2014, representing an increase of approximately 17% as compared with approximately HK\$4,331,000 for the corresponding period in 2013.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2014 amounted to approximately HK\$7,862,000, representing an increase of approximately 51% as compared with approximately HK\$5,208,000 for the corresponding period in 2013.

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2014.



## UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2014 together with the comparative figures for the corresponding period in 2013.

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

(Expressed in Hong Kong dollars)

		<b>For the three months ended 31 March</b>	
	<i>NOTES</i>	<b>2014</b>	2013
		<b>\$'000</b>	\$'000
Revenue	3	<b>5,069</b>	4,331
Cost of sales		<b>(3,576)</b>	(2,676)
Gross profit		<b>1,493</b>	1,655
Other revenue	3	<b>6</b>	67
Administrative expenses		<b>(8,968)</b>	(6,494)
Finance costs	4	<b>(310)</b>	(522)
Decrease in fair value of financial asset at fair value through profit or loss		<b>(289)</b>	–
Gain on disposal of subsidiary		–	86
Loss before taxation		<b>(8,068)</b>	(5,208)
Taxation	5	–	–
Loss for the period, representing total comprehensive expense for the period		<b>(8,068)</b>	(5,208)
Loss for the period and total comprehensive expense for the period attributable to:			
Owners of the Company		<b>(7,862)</b>	(5,208)
Non-controlling interests		<b>(206)</b>	–
		<b>(8,068)</b>	(5,208)
Loss per share	7		(restated)
Basic and diluted ( <i>HK cents</i> )		<b>(0.43)</b>	(0.36)

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2014 (Expressed in Hong Kong dollars)

	Share capital	Share premium	Equity component of convertible bonds	Special reserve	Accumulated losses	Total	Non- controlling interests	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2013</b>	29,317	27,593	-	6,026	(80,334)	(17,398)	-	(17,398)
Loss for the period, representing total comprehensive expense for the period	-	-	-	-	(5,208)	(5,208)	-	(5,208)
<b>At 31 March 2013</b>	29,317	27,593	-	6,026	(85,542)	(22,606)	-	(22,606)
<b>At 1 January 2014</b>	35,177	45,729	29,651	6,026	(106,080)	10,503	(14)	10,489
Placing of new shares	16,000	134,400	-	-	-	150,400	-	150,400
Transaction costs attributable to placing of new shares	-	(4,502)	-	-	-	(4,502)	-	(4,502)
Issue of convertible bonds	-	-	7,809	-	-	7,809	-	7,809
Loss for the period, representing total comprehensive expense for the period	-	-	-	-	(7,862)	(7,862)	(206)	(8,068)
<b>At 31 March 2014</b>	<b>51,177</b>	<b>175,627</b>	<b>37,460</b>	<b>6,026</b>	<b>(113,942)</b>	<b>156,348</b>	<b>(220)</b>	<b>156,128</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, 299 QRC, 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 2014, 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, one-stop value chain services and trading of Chinese tea.

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 2014 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2013 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 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>4</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Benefits <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>7</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Asset <sup>7</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>7</sup>
HK(IFRIC) – Int 21	Levies <sup>7</sup>

<sup>1.</sup> *Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.*

<sup>2.</sup> *Effective for annual periods beginning on or after 1 July 2014, excepts as disclosed below. Early application is permitted.*

<sup>3.</sup> *Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.*

<sup>4.</sup> *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

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 ended 31 March</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Revenue:		
Health care services	<b>5,030</b>	4,331
Trading of ceramic products	–	–
Rental income ( <i>note</i> )	<b>39</b>	–
One-stop value chain services	–	–
Trading of Chinese tea	–	–
	<b>5,069</b>	4,331
Other revenue	<b>6</b>	67
	<b>5,075</b>	4,398

Note:

	<b>For the three months ended 31 March</b>	
	<b>2014</b>	2013
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Gross rental income	<b>39</b>	–
Less: outgoings (included in cost of sales)	<b>(14)</b>	–
Net rental income	<b>25</b>	–



#### 4. Finance costs

	For the three months ended 31 March	
	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans, wholly repayable within five years	-	76
Interest on other loans	-	201
Effective interest expense on convertible bonds	216	-
Interest on loans from a former fellow subsidiary and a shareholder	94	245
	<b>310</b>	522

#### 5. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2014 and 2013. 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 2014 (2013: Nil).

#### 7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2014 and 2013 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$7,862,000 (2013: HK\$5,208,000) and the weighted average of 1,821,087,282 (2013: 1,465,865,060 ordinary shares at HK\$0.02 each (restated)) ordinary shares of HK\$0.02 each in issue during the three months ended 31 March 2014.

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the three months ended 31 March 2013 has been adjusted for the consolidation of shares in August 2013 on the basis of two shares being consolidated into one share.

The computation of diluted loss per share for the period ended 31 March 2014 and 31 March 2013 is the same as the basic 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 2014 (the "Reporting Period"), the Group has been principally engaged in the health care services, trading of ceramic products, property investment, the one-stop value chain services and trading of Chinese tea.

#### **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\$5,030,000 (three months ended 31 March 2013: HK\$4,331,000), representing an increase of approximately 16% as compared with the last corresponding period. The increase was mainly attributable to the increased efforts on marketing and promotion.

#### **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 2013: Nil) 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 2014, 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 for the future of this line of business.

#### **Property Investment**

At 31 March 2014, the Group held properties in Hong Kong for investment purpose amounted to approximately HK\$7,580,000 (31 December 2013: HK\$7,580,000).

During the Reporting Period, this business segment reported a revenue of approximately HK\$39,000 (three months ended 31 March 2013: Nil).

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 one-stop value chain business of the Group has not generated any revenue during the Reporting Period (three months ended 31 March 2013: 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. The Group will continue to take further steps to explore more business opportunities in this business segment.

### **Trading of Chinese Tea**

In the fourth quarter of the year 2013, the Group started its business in the trading of Chinese tea. This new business segment has not generated any revenue during the Reporting Period (three months ended 31 March 2013: N/A).

The Group's initial strategy and business plan are to put more resources to strengthen its current sales and marketing teams in order to accelerate the development of this new business segment. The Group is looking forward to developing it into one of the core businesses of the Group.

## **FINANCIAL REVIEW**

During the Reporting Period, the Group recorded a revenue of approximately HK\$5,069,000 (three months ended 31 March 2013: approximately HK\$4,331,000), representing an increase of approximately 17% as compared with the last corresponding period. The increase was mainly attributable to the increase in revenue of the health care services sector.

Cost of sales for the Reporting Period amounted to approximately HK\$3,576,000 (three months ended 31 March 2013: approximately HK\$2,676,000), representing an increase of approximately 34% as compared with the last corresponding period. The increase was together with the increase in revenue for the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$8,968,000 (three months ended 31 March 2013: approximately HK\$6,494,000), representing an increase of approximately 38% as compared with the last corresponding period. This increase was mainly due to the expansion into the business of trading of Chinese tea.

Finance costs for the Reporting Period was approximately HK\$310,000 (three months ended 31 March 2013: approximately HK\$522,000), representing a decrease of approximately 41% as compared with the last corresponding period. The decrease was mainly due to the repayment of loan amount during the year ended 31 December 2013.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$7,862,000 (three months ended 31 March 2013: approximately HK\$5,208,000). As a result, the basic loss per share of the Company was increased from HK0.36 cent (restated) for the three months ended 31 March 2013 to HK0.43 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 2014, the cash and cash equivalent of the Group was approximately HK\$118,146,000 (31 December 2013: approximately HK\$14,552,000).

At 31 March 2014, the net assets of the Group was approximately HK\$156,129,000 (31 December 2013: HK\$10,489,000) and the net current assets was approximately HK\$124,790,000 (31 December 2013: approximately HK\$7,317,000).

### **Capital Structure**

As at 31 March 2014, the issued ordinary share capital was HK\$51,177,301.20 divided into 2,558,865,060 ordinary shares of HK\$0.02 each ("Share(s)") (31 December 2013: HK\$35,177,301.20 divided into 1,758,865,060 Shares).

During the three months ended 31 March 2014, the authorized share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000.

### **Convertible Bonds**

On 30 April 2013, there were convertible bonds to Top Status International Limited in the aggregate principal amount of HK\$34.5 million (the "Convertible Bonds") which were subsequently acquired by Sino Coronet Limited on 8 January 2014. Such Convertible Bonds can be converted into 1,725,000,000 shares upon full conversion. In accordance with the bond instrument, the Company shall not be required to issue any conversion shares, if, as a result of the relevant exercise of the conversion rights attached to the Convertible Bonds, (a) less than 25% or the minimum prescribed percentage as set out in the GEM Listing Rules of the Company's issued shares would be held by the public immediately after the relevant exercise of conversion rights attached to the Convertible Bonds; and/or (b) the bondholders and/or parties acting in concert with it shall be interested in 30% (or such amount as may from time to time be specified in the takeovers code of the GEM Listing Rules as being the level for triggering a mandatory general offer) under the takeovers code of the GEM Listing Rules.

Sino Coronet Limited is a company incorporated in the British Virgin Islands with limited liability and is wholly owned by So Chi Yuk. As such, So Chi Yuk is deemed to be interested in these Convertible Bonds.

Further details of the issue of Convertible Bonds are set out in the announcements of the Company dated 22 February 2013, 29 April 2013, 30 April 2013 and 10 October 2013, and the circular of the Company dated 12 April 2013.

## **Fund Raising Activities**

### ***Placing of New 800,000,000 Shares under Specific Mandate***

On 13 December 2013, the Company and Ping An of China Securities (Hong Kong) Company Limited and FT Securities Limited (collectively, the “Co-Placing Agents”) entered into the co-placing agreement, pursuant to which the Company has conditionally agreed to place, through the Co-Placing Agents on a best effort basis a maximum of 800,000,000 placing shares at a placing price of HK\$0.188 per placing share (the “Placing”).

The gross proceeds from the Placing are approximately HK\$150,400,000. The net proceeds after deducting the placing commission and other related expenses was HK\$145,898,000. The relevant resolution was passed at the Company’s special general meeting on 7 March 2014. The completion of the Placing took place on 25 March 2014. Further details of the Placing are set out in the announcements of the Company dated 13 December 2013, 7 March 2014 and 25 March 2014 and the circular of the Company dated 19 February 2014.

### ***Issue of Convertible Bonds as a consideration of an acquisition***

On 13 December 2013, Skyline Top Limited (“Skyline Top”), a wholly-owned subsidiary of the Company and Mr. So Pan entered into a sale and purchase agreement, pursuant to which (i) Mr. So Pan has agreed to sell to Skyline Top, and Skyline Top has agreed to purchase from Mr. So Pan the sale shares of Konson Global Investments Limited; and (ii) Mr. So Pan has agreed to assign to Skyline Top, and Skyline Top has agreed to accept the assignment of, the sale loan at an aggregated consideration of HK\$40,000,000, of which: (i) HK\$20,000,000 shall be satisfied by Skyline Top by cheque or cashier order upon the completion; and (ii) HK\$20,000,000 shall be satisfied by the Skyline Top’s procuring of the issue of the convertible bonds at the conversion price of HK\$0.188 per conversion share by the Company to Mr. So Pan upon completion.

Upon exercise of conversion rights attaching to the Convertible Bonds, 106,382,978 new shares shall be issued.

The completion of the acquisition involving the issue of convertible bonds as a consideration took place on 31 March 2014.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 13 December 2013, 7 March 2014 and 31 March 2014 and the circular of the Company dated 19 February 2014.

## **OUTLOOK**

For the health care services business, the Group continues its marketing and promotion efforts to broaden the customer base. Together with the increasing number of individual travelers from the PRC, the Group believes that the income from this business segment will continue to benefit from this growth trend.

The Group believes the IT and telecommunications market still has ample growth potential despite the difficult market environment and competitive landscape. The Group will continue to take appropriate steps to align its investment with objectives and review its business portfolio where it is appropriate, so as to increase its shareholder value.

The Group will continue reviewing and participating in negotiations of business developments and/or investments, especially in agricultural sector, according to the Group's business strategies and development needs.



## **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 2014, 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 2014, 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 <i>(Note 1)</i>	Number of underlying Shares	Approximate percentage of the issued share capital <i>(Note 1)</i>
So Chi Yuk <i>(Note 2)</i>	Interest of controlled corporation	–	–	1,725,000,000 (L) <i>(Note 4)</i>	67.41%
Sino Coronet Limited <i>(Note 2)</i>	Beneficial owner	–	–	1,725,000,000 (L) <i>(Note 4)</i>	67.41%
Yardley Finance Limited <i>(Note 3)</i>	Beneficial owner	–	–	1,725,000,000 (L)	67.41%
Chan Kin Sun <i>(Note 3)</i>	Interest of controlled corporation	–	–	1,725,000,000 (L)	67.41%
Chinese Strategic Holdings Limited <i>(Note 5)</i>	Interest of controlled corporation	368,953,215 (L)	14.42%	–	–
Top Status International Limited <i>(Note 5)</i>	Beneficial owner	368,953,215 (L)	14.42%	–	–
International Chaoshang Investment Group Limited <i>(Note 6)</i>	Beneficial owner	212,070,000	8.28%	–	–
Huang Zhen Da <i>(Note 6)</i>	Interest of controlled corporation	212,070,000	8.28%	–	–
VMS Investment Group Limited <i>(Note 7)</i>	Beneficial owner	133,000,000	5.19%	–	–
Mak Siu Hang Viola <i>(Note 7)</i>	Interest of controlled corporation	133,000,000	5.19%	–	–

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



*Notes:*

1. As at 31 March 2014, the Company's issued ordinary share capital was HK\$51,177,301.20 divided into 2,558,865,060 Shares of HK\$0.02 each.
2. Sino Coronet Limited ("Sino Coronet"), a company incorporated in the British Virgin Islands with limited liability, is wholly owned by So Chi Yuk. As such, So Chi Yuk is deemed to be interested in these Convertible Bonds.
3. Yardley Finance Limited, a company incorporated in Hong Kong with limited liability, is wholly owned by Chan Kin Sun. As such, Chan Kin Sun is deemed to be interested in these shares.
4. 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 "Convertible Bonds"), the Company had issued Convertible Bonds to Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability, in principal amount of HK\$34,500,000 on 30 April 2013. With reference to the announcement of Chinese Strategic Holdings Limited ("Chinese Strategic") (Stock code: 8089), a company incorporated in Bermuda with limited liability, dated 2 August 2013, Top Status proposed to dispose the Convertible Bonds, which can be converted into 1,725,000,000 new shares at conversion price of HK\$0.02 per Share, to Sino Coronet (the "Disposal"). The disposal was completed on 8 January 2014.
5. Top Status 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 Chinese Strategic. The issued shares of which are listed on GEM of the Stock Exchange. As such, each of Rich Best and Chinese Strategic is deemed to be interested in these shares.
6. International Chaoshang Investment Group Limited, a company incorporated in Hong Kong with limited liability, is 40% owned by Huang Zhen Da. As such, Huang Zhen Da is deemed to be interested in these Shares.
7. VMS Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability, is wholly owned by Mak Siu Hang Viola. As such, Mak Siu Hang Viola is deemed to be interested in these Shares.

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 2014 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. Tsang Hin Fun, Anthony (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 2014 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, 9 May 2014

*As at the date of this report, the chief executive and executive Director is Mr. Tsang Chi Hin; the executive Director is Mr. So David Tat Man; and the independent non-executive Directors are Mr. Cheung Tak Shum, Mr. Lau Tin Cheung and Mr. Tsang Hin Fun, Anthony.*