



中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

THIRD
QUARTERLY REPORT
2014



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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\$31,486,000 for the nine months ended 30 September 2014 representing an increase of approximately 123% as compared with approximately HK\$14,146,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the nine months ended 30 September 2014 was approximately HK\$19,978,000, representing an increase of approximately 14% as compared with approximately HK\$17,576,000 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 2014.

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 2014 together with the comparative figures for the last corresponding periods.

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

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue	3	18,762	4,502	31,486	14,146
Cost of sales		(17,111)	(2,782)	(27,446)	(8,923)
Gross profit		1,651	1,720	4,040	5,223
Other revenue	3	77	16	162	85
Administrative expenses		(8,531)	(7,022)	(25,229)	(21,739)
Finance costs	4	(710)	(463)	(1,723)	(1,548)
Loss on disposal of available-for-sale investment		(3)	-	(3)	-
Gain on disposal of subsidiary		-	-	-	86
Gain on disposal of financial assets at fair value through profit or loss		1	-	238	-
Share of result of associates		(516)	-	(269)	-
Gain on bargain purchase	9	-	-	1,431	-
Increase in fair value of financial assets at fair value through profit or loss		424	361	746	317
Loss before taxation		(7,607)	(5,388)	(20,607)	(17,576)
Taxation	5	-	-	-	-
Loss for the period		(7,607)	(5,388)	(20,607)	(17,576)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Other comprehensive expenses					
Items that may be reclassify subsequently to profit or loss:					
Exchange differences arising on translation of financial statement of foreign operations		(1)	–	(123)	–
Total comprehensive expense for the period		(7,608)	(5,388)	(20,730)	(17,576)
Loss for the period attributable to:					
– Owners of the Company		(7,366)	(5,388)	(19,978)	(17,576)
– Non-controlling interests		(241)	–	(629)	–
		(7,607)	(5,388)	(20,607)	(17,576)
Total comprehensive expense attributable to:					
Owners of the Company		(7,380)	(5,388)	(20,062)	(17,576)
Non-controlling interests		(228)	–	(668)	–
		(7,608)	(5,388)	(20,730)	(17,576)
Loss per share			(restated)		(restated)
– Basic and diluted (<i>HK cents</i>)	7	(0.29)	(0.36)	(0.86)	(1.16)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Non-controlling interests	Total
	Share capital	Share premium	Equity component of convertible bonds	Special reserve	Translation reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	29,317	27,593	-	6,026	-	(80,334)	(17,398)	-	(17,398)
Placing of new shares	5,860	18,752	-	-	-	-	24,612	-	24,612
Transaction costs attributable to placing of new shares	-	(615)	-	-	-	-	(615)	-	(615)
Issue of convertible bonds	-	-	30,233	-	-	-	30,233	-	30,233
Loss for the period, representing total comprehensive expense for the period	-	-	-	-	-	(17,576)	(17,576)	-	(17,576)
At 30 September 2013	35,177	45,730	30,233	6,026	-	(97,910)	19,256	-	19,256
At 1 January 2014	35,177	45,729	29,651	6,026	-	(106,080)	10,503	(14)	10,489
Loss for the period	-	-	-	-	-	(19,978)	(19,978)	(629)	(20,607)
Other comprehensive expenses									
Items that may be reclassified subsequently to profit or loss:									
Exchange differences arising on translation of financial statements of foreign operations	-	-	-	-	(84)	-	(84)	(39)	(123)
Total comprehensive expense for the period	-	-	-	-	(84)	(19,978)	(20,062)	(668)	(20,730)
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 CB-II (as defined in Note 8)	-	-	7,809	-	-	-	7,809	-	7,809
At 30 September 2014	51,177	175,627	37,460	6,026	(84)	(126,058)	144,148	(682)	143,466

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 25/F., Siu On Centre, 188 Lockhart Road, Wanchai, 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 effectively re-domiciled into Bermuda with limited liability with effect from 29 October 2007.

During the nine months ended 30 September 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 agricultural products.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"). Other than those subsidiaries established in the People's Republic of China ("PRC") and Taiwan whose functional currencies are Renminbi ("RMB") and Taiwan New Dollar ("TND") respectively, the functional currency of the Company and its subsidiaries is HK\$.

The unaudited condensed consolidated financial statements are prepared 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 the financial instruments that are measured at fair values.

Except as described below, 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 2014 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2013.

In the current reporting period, the Group has applied, for the first time, the following new Interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s unaudited condensed consolidated financial statements:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities;
- Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- HK(IFRIC*) – Int 21 Levies

* *IFRIC represents the International Financial Reporting Interpretations Committee*

The application of the above new Interpretation and amendments to HKFRSs in the current reporting period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not applied any new or revised 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:

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue:				
Health care services	6,033	4,502	16,236	13,626
Trading of ceramic products	–	–	–	–
Rental income from property investment (Note)	39	–	117	–
One-stop value chain services	9,753	–	11,997	520
Trading of agricultural products	2,937	–	3,136	–
	18,762	4,502	31,486	14,146
Other revenue	77	16	162	85
	18,839	4,518	31,648	14,231

Note:

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Gross rental income	39	–	117	–
Less: outgoings (included in cost of sales)	(19)	–	(64)	–
Net rental income	20	–	53	–

4. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank loans, wholly repayable within five years	-	-	-	131
Interest on other loans	-	166	-	604
Effective interest expense on convertible bonds	710	202	1,629	331
Interest on loan from a former fellow subsidiary and a shareholder	-	95	94	482
	710	463	1,723	1,548

5. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 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.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

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

6. Dividend

No dividend was paid or proposed for the nine months ended 30 September 2014, nor any dividend has been proposed since the end of the reporting period (2013: Nil).

7. Loss per share

The calculation of basic loss per share for the three months and nine months ended 30 September 2014 and 2013 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$7,366,000 (30 September 2013: HK\$5,388,000) and HK\$19,978,000 (30 September 2013: HK\$17,576,000), and the weighted average of 2,558,865,060 and 2,315,641,617 (30 September 2013: 1,515,235,023 (restated) and 1,515,235,023 (restated)) ordinary shares of HK\$0.02 each in issue during both the three months and nine months ended 30 September 2014.

The weighted average number of ordinary shares used for the purpose of calculating basic loss per share for the three months and nine months ended 30 September 2013 has been adjusted for the consolidation of shares in October 2013 on the basis of two shares being consolidated into one share.

The computation of diluted loss per share for the period ended 30 September 2014 and 30 September 2013 is the same as the basic loss per share as the assumed exercise of diluting events has an anti-dilutive effect.

8. Convertible bonds

(a) Convertible bonds I

On 30 April 2013, the Company issued convertible bonds (the "CB-I") in a principal amount of HK\$34,500,000 with interest bearing at 5% per annum to Top Status. The CB-I will mature on 31 December 2016 (the "Maturity Date"). The CB-I entitled the holder to convert the CB-I in full or in part (in multiples of HK\$500,000) into the ordinary shares of the Company at any time on or after the date of issue of the CB-I up to fifth business day prior to the Maturity Date at an initial conversion price of HK\$0.01 per share, subject to adjustment provisions which are standard terms for convertible securities of similar type. If the CB-I had not been converted by bondholders, it would be converted on Maturity Date by the Company.

Transaction costs directly attributable to issue of CB-I amounted to approximately HK\$585,000 are allocated to liability and equity components on initial recognition.

The CB-I contained the following components that are required to be separately accounted for:

- (i) Liability component for the CB-I represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the CB-I without conversion option, plus allocated transaction costs. The effective interest rate of the liability component is 19.49%.
- (ii) Equity component represents the difference between the gross proceeds of the issue of the CB-I and the fair values assigned to the liability components less allocated transaction costs.

On 11 October 2013, as a result of the Company's share consolidation, the conversion price of the CB-I was adjusted to HK\$0.02 per share.

(b) Convertible bonds II

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 (“Konson”); 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 (“CB-II”) 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 CB-II, 106,382,978 new shares shall be issued.

The completion of the acquisition involving the issue of CB-II as a consideration took place on 31 March 2014.

As disclosed in the Company’s circular dated 19 February 2014 (the “Circular”), the principal terms of the CB-II are as follows:

Principal amount of the CB-II:	HK\$20 million
Authorised denomination:	HK\$100,000 each and integral multiples thereof
Conversion price:	HK\$0.188
Interest:	3% per annum
Maturity date:	31 December 2017
Conversion and transferability:	Without prejudice to any condition under the bond instrument, there shall not be any transfer, conversion or redemption of any principal amount of the CB-II during the Restricted Period (as defined in the Circular), and further, the bondholder shall not, and shall not seek to, transfer, convert or redeem any principal amount of the CB-II during the Restricted Period.

Conversion

No conversion of the CB-II or of the Valid Principal Amount (as defined in the Circular), whichever shall be appropriate, shall take place prior to the expiration of the Restricted Period or prior to the happening of the Specific Event (as defined in the Circular) (as the Company may determine in its sole and absolute discretion).

Prior to the expiration of the Restricted Period or prior to the happening of the Specific Event (as the Company may determine in its sole and absolute discretion), the Company shall not, and shall not have to, recognise, accept, agree or register any conversion of any principal amount of the CB-II. In any event, the Company shall not, and shall not have to, recognise, accept, agree or register any conversion of any Cancelled Principal Amount (as defined in the Circular), and the bondholder shall not have any recourse whatsoever against the Company. The Company shall, and shall only have to, recognise, accept, agree or register any conversion of any Valid Principal Amount, and the Company shall have sole and absolute discretion in determining any or all issues on, over or concerning conversion of the CB-II.

Subject to conditions under the bond instrument, during the conversion period, bondholder shall have the right to convert the whole or any part (in multiples of HK\$100,000.00) of the Valid Principal amount, whichever shall be appropriate, into such number of conversion shares as will be determined by dividing the principal amount of the CB-II to be converted by the conversion price (subject to adjustment) in effect on the date of conversion.

Redemption

Redemption at maturity shall only be limited and applicable to the Valid Principal Amount. The Cancelled Principal Amount cannot, and shall not, be redeemed whatsoever. Subject to this as well as other conditions in the bond instrument, the Valid Principal Amount which has not been redeemed or converted in accordance with the conditions under the bond instrument by the maturity date, shall, at the sole and absolute discretion of the Company (and regardless of whether or not the bondholder concerned have requested for conversion of any principal amount of the CB-II into conversion shares) but subject to shareholders' approval (if required) as well as compliance with the GEM Listing Rules and/or requirements of regulatory authorities, either be redeemed by the Company on the maturity date at a redemption amount equal to 100% of Valid Principal Amount or such part thereof which is outstanding at that juncture, or be converted into conversion shares. For any avoidance of doubt, the Company shall not, and shall not be required to, redeem the Cancelled Principal Amount (as defined above) or any part thereof, and the bondholder shall not have any recourse or right of action whatsoever against the Company.

Further details of the issue of CB-II 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.

The CB-II contains the following components that are required to be separately accounted for:

- (i) Liability component for the CB-II represents the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rate for instruments of comparable credit status taking into account the credit risk of the Company as well as the amount of the CB-II without conversion option, plus allocated transaction costs. The effective interest rate of the liability component is 17.37%.
- (ii) Equity component represents the difference between the gross proceeds of the issue of the CB-II and the fair values assigned to the liability components less allocated transaction costs.

(c) Movements of the CB-I and CB-II

The movements of the CB-I and CB-II are set out below:

	Liability component <i>HK\$'000</i>	Equity component <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	–	–	–
Issue of CB-I	4,264	29,651	33,915
Effective interest expense	542	–	542
At 31 December 2013	4,806	29,651	34,457
Interest paid	(2,026)	–	(2,026)
Issue of CB-II	12,191	7,809	20,000
Effective interest expense	1,629	–	1,629
At 30 September 2014	16,600	37,460	54,060

9. Acquisition of a subsidiary

As mentioned in the Circular and Note 8(b) to this report, Skyline Top acquired 100% interest in Konson and accepted the assignment of the Sale Loan (as defined in the Circular) on 31 March 2014. Konson is the sole legal and beneficial owner of the entire issued share capital in Union World International Group Holdings Limited (“Union World”), and in turn, Union World holds 40% of the equity interest in 中合華夏(北京)投資諮詢有限公司 (“Beijing HX”); Beijing HX holds 55% of the equity interest in 中合新農(北京)投資有限公司 (“Beijing XN”), and Beijing XN is the sole legal and beneficial owner of the entire equity interest in the 扶余中合新農市場置業有限公司 (“Property Investment Subsidiary”) (collectively known as the “Target Investment Companies”). The principal activities of Konson and the Target Investment Companies and further details are disclosed in the Circular.

Consideration transferred:

	<i>HK\$'000</i>
Cash	20,000
CB-II	20,000
	<hr/> 40,000

Based on the relevant agreement, if the Property Investment Subsidiary fails to meet the Profit Guarantee (as defined in the Circular) by 31 December 2016, or shall the Profit Confirmation (as defined in the Circular) prepared by an auditor approved by the Company is not released by 31 March 2017, or shall the Company find the Profit Confirmation unsatisfactory, only the Valid Principal Amount shall remain valid and binding while the Cancelled Principal Amount shall be revoked and cancelled by the Company at any time prior to the expiration of the Restricted Period, and such Cancelled Principal Amount shall not be reissued again. In essence, even the Profit Guarantee has not been met, the consideration will be reduced according to the formula pursuant to the bond instrument of CB-II and published in the Circular, while the Company will still be holding an effective interest of 22% in the Property Investment Subsidiary.

The bargain purchase of approximately HK\$1,431,000 was determined based on the preliminary valuation reports. The figures are subject to change upon the completion of audit and the valuation for Konson and the Target Investment Companies as of the acquisition date.

Net cash outflow arising on acquisition

	<i>HK\$'000</i>
Consideration paid in cash	20,000
Less: cash and cash equivalent balances acquired	(330)
	<hr/> 19,670

Impact of acquisition on the results of the Group

Included in the loss for the reporting period is loss of approximately of HK\$292,000 (including share of loss of associates of approximately HK\$269,000) attributable to Konson and Target Investment Companies. None of the revenue for the nine months ended 30 September 2014 is attributable to Konson and Target Investment Companies.

Had the acquisition of Konson been effected at the beginning of the reporting period, the total amount of revenue of the Group for the nine months ended 30 September 2014 would have been HK\$31,486,000, and amount of the loss for the nine months ended 30 September 2014 would have been HK\$20,973,000. The proforma information is illustrative purpose only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the nine months ended 30 September 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 agricultural products.

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\$16,236,000 (nine months ended 30 September 2013: HK\$13,626,000), representing an increase of approximately 19% as compared with the last corresponding period. The increase was mainly attributable to the increased efforts on marketing and promotion.

Trading of Ceramic Products

The trading of ceramic products has not generated any revenue for the Reporting Period (nine months ended 30 September 2013: Nil).

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.

Property Investment

During the Reporting Period, this business segment reported a revenue of approximately HK\$117,000 (nine months ended 30 September 2013: Nil). At 30 September 2014, the Group held properties in Hong Kong and the PRC for investment purpose amounted to approximately HK\$24,791,000 (31 December 2013: HK\$7,580,000).

Given increase in demand of the property market in Hong Kong, Taiwan and the PRC, the Board is confident that the rental income will benefit from the growth trend.

One-stop Value Chain Services

During the Reporting Period, this business segment reported a revenue of approximately HK\$11,997,000 (nine months ended 30 September 2013: HK\$520,000). The increase in revenue was mainly attributable to the increased marketing efforts of the Company. The Group is positive about further development of this business segment and bigger contribution in revenue in the future.

Trading of Agricultural Products

During the Reporting Period, this business segment reported a revenue of approximately HK\$3,136,000 (nine months ended 30 September 2013: Nil).

The Group started its business in the trading of Chinese tea in the fourth quarter of the year 2013 and further expanded its business to other agricultural products in 2014. In addition, the Group is making efforts in strengthening its current sales and marketing teams in order to accelerate the development of this new business segment and is looking forward to developing it into one of the core businesses of the Group.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$31,486,000 (nine months ended 30 September 2013: HK\$14,146,000), representing an increase of approximately 123% as compared with the last corresponding period. This increase was mainly attributable to the increase in revenue generated from health care services, one-stop value chain services and trading of agricultural products.

Cost of sales for the Reporting Period amounted to approximately HK\$27,446,000 (nine months ended 30 September 2013: HK\$8,923,000), representing an increase of approximately 208% as compared with the last corresponding period. This increase was due to change of product mix of the Company's business portfolio during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$25,229,000 (nine months ended 30 September 2013: HK\$21,739,000), representing an increase of approximately 16% as compared with the last corresponding period. This increase was mainly due to development and expansion of new business.

Finance costs for the Reporting Period was approximately HK\$1,723,000 (nine months ended 30 September 2013: HK\$1,548,000), representing an increase of approximately 11% as compared with the last corresponding period. The increase was mainly due to increase in effective interest expense on convertible bonds as compared with the last corresponding period.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$19,978,000 (nine months ended 30 September 2013: HK\$17,576,000). The basic loss per share of the Company for the Reporting Period is HK0.86 cent (nine months ended 30 September 2013: HK1.16 cent).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 September 2014, the bank balances and cash of the Group was approximately HK\$70,866,000 (31 December 2013: HK\$14,552,000).

At 30 September 2014, the net assets of the Group was approximately HK\$143,466,000 (31 December 2013: HK\$10,489,000) and the net current assets was approximately HK\$83,277,000 (31 December 2013: HK\$7,317,000).

Capital Structure

As at 30 September 2014, the issued ordinary share capital with an aggregate nominal value of HK\$51,177,301.20 is divided into 2,558,865,060 shares of HK\$0.02 each (the "Share(s)") (31 December 2013: HK\$35,177,301.20 divided into 1,758,865,060 Shares).

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 to not fewer than six places at a placing price of HK\$0.188 per placing share, to be allotted and issued under specific mandate (the "Placing").

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. The gross proceeds from the Placing were approximately HK\$150.4 million and the net proceeds after deducting the placing commission and other related expenses were approximately HK\$145 million. The net proceeds from the Placing was used as to (i) HK\$20 million for settling the cash consideration of the acquisition as detailed in Note 9 to this report; (ii) approximately HK\$33.9 million for general working capital of the Group (including as to approximately HK\$17.6 million for cost of goods sold, approximately HK\$3.9 million for salaries and allowance, approximately HK\$4.9 million for rents, rates and building management fee, and approximately HK\$7.5 million for other operating expenses); (iii) approximately HK\$6.4 million for repayment of the outstanding liabilities of the Company as to approximately HK\$4.3 million loan due to a shareholder, approximately HK\$2 million loan due to a former fellow subsidiary of the Company, and approximately HK\$0.1 million for the relevant loan interests; and (iv) approximately HK\$25.1 million for acquisition of investment properties; and (v) the remaining balance of approximately HK\$59.6 million for future general working capital and future investment opportunities of the Company. The placees included 17 individual investors and 7 corporate investors. 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.

Exposure to Fluctuations in Exchange Rates

All of the Group's assets, liabilities and transactions are mainly denominated in Hong Kong dollars or Renminbi or New Taiwan dollars. The Directors do not consider that the Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or any other alternatives have been implemented.

Significant Investments and Acquisitions

Possible Formation of Joint Venture Companies

On 28 July 2014, China Supply and Marketing Agricultural Production Wholesale Market Holding Co., Ltd (中國供銷農產品批發市場控股有限公司) ("CSMA"), a company of limited liability incorporated in PRC and the Company entered into a framework agreement under which these two companies intended to establish joint venture companies to facilitate the development in the field of agricultural product circulations and related financial services area in Qianhai, PRC.

CSMA, a leading market player in the field of agricultural product circulations, intends to establish a strategic cooperation with the Company and to leverage the professional operating team and mature financial platform of the Company to create a more influential and comprehensive platform for agricultural product circulations and related financial services.

The possible formation of the joint venture companies is a strategic alliance between CSMA and the Company. With the variety of agricultural sector experience that CSMA processes and the established marketing channels and strong customer base of CSMA in PRC, it is expected that the proposed formation of the joint venture companies will create synergy between the businesses of CSMA and those of the Company in PRC.

Following the formation of the joint venture companies, it is expected that the Group would meet further customer demands by expanding its scope of service into agricultural products circulation and related financial services.

Further details of the possible formation of joint venture companies are set out in the announcement of the Company dated 28 July 2014.

Acquisition of property in Shenzhen, PRC

On 19 August 2014, 旭堯投資諮詢（深圳）有限公司, a company of limited liability incorporated in PRC and is a wholly-owned subsidiary of the Company (the “Purchaser”) and Shenzhen City Tian Qi Real Estate Development Co. Ltd 深圳市天麒房地產發展有限公司, a company of limited liability incorporated in PRC (the “Vendor”) entered into a sale and purchase agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the property at a consideration of RMB13,235,000 (equivalent to approximately HK\$16,721,000).

The property is located at Unit 12F, 12th Floor, Block A, EPI Residences (東海國際中心二期B區), Futian District, Shenzhen, PRC (the “Property I”). The Property I has an aggregate gross floor area of 245.87 square metre and is for residential use.

The Group intends to hold the Property I for investment purpose and will, depending on the then market circumstances, lease out the Property I after completion of the acquisition for rental income. Completion of the acquisition took place on 24 September 2014.

Further details of this acquisition are set out in the announcements of the Company dated 19 August 2014, 25 August 2014 and 24 September 2014.

Acquisition of property in Taiwan

On 8 September 2014, Top Yield Properties Limited, an indirect wholly-owned subsidiary of the Company, as the assignee, executed the assignment agreement pursuant to which Mr. Wu Chih Kang, as the assignor, assigned all his interest in the property to the assignee at the consideration of NT\$92,000,000 (equivalent to approximately HK\$24,196,000) (the “Assignment Agreement”).

The property is located at Flat A3, 12th Floor, Block A with two car parking spaces in the building numbered 166 and 167 at Zenith City (「日升月恆」大樓), Lane 235, Jingmaoer Road, Nangang District, Taipei City, Taiwan (the “Property II”). The Property II has an aggregate gross floor area of 2,958 square feet and is for residential use. The Property II is scheduled for completion in 2014.

The Group intends to hold the Property II for investment purpose and will, depending on the then market circumstances, lease out the Property II for rental income. As at 30 September 2014, the acquisition of Property II has not been completed.

Further details of the Assignment Agreement are set out in the announcement of the Company dated 8 September 2014.

Save as disclosed above, the Group did not have any material acquisition or disposal of any of its subsidiaries or affiliated companies during the Reporting Period.

Event after the Reporting Period

On 4 November 2014, Ye Lei Investment Consulting (Shenzhen) Co., Ltd. (燁磊投資諮詢(深圳)有限公司), a company of limited liability incorporated in PRC and is a wholly-owned subsidiary of the Company (the "Purchaser"), and Shenzhen Seton Investment Co., Ltd., a company incorporated in PRC with limited liability and Ms. Liu Shu Feng (collectively, the "Vendors") entered into share transfer agreements pursuant to which the Purchaser agreed to acquire and the Vendors agreed to sell the entire equity interest in Fujian Seton Investment Co., Ltd. (福建尚同投資有限公司), a company incorporated in PRC with limited liability, at an aggregate consideration of RMB3,600,000 (equivalent to HK\$4,597,200) (the "Acquisition").

Further details of the Acquisition are set out in the announcement of the Company dated 4 November 2014.

OUTLOOK

The Group recorded significant increases in revenue in all business sectors in the past few months, in particular the one-stop value chain services and trading of agricultural products business segments following the increased efforts input by the management. The Group is positive about the prospects of these business segments and will continue inputting more resources to support their development.

Stable growth has been obtained in the health care services business and the Group believes that this segment will continue to benefit from the robust economy of Hong Kong.

The management has been actively looking for new business opportunities for development of existing business segments and possible investment in new business segments in accordance with the Group's business strategies and planning.

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

As at 30 September 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 Future 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 Directors.

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

Save as disclosed under the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, 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 of and having made due enquiries, as at 30 September 2014, the following parties, other than the Directors or the chief executive of the Company, had interests or short positions directly or indirectly in the shares and underlying shares of the Company disclosed to the Company under the provisions of Division 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:

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 (Note 1)	Number of underlying Shares	Approximate percentage of the issued share capital (Note 1)
So Chi Yuk (Note 2)	Interest of controlled corporation	-	-	1,725,000,000 (L) (Note 4)	67.41%
Sino Coronet Limited (Note 2)	Beneficial owner	-	-	1,725,000,000 (L) (Note 4)	67.41%
Yardley Finance Limited (Note 3)	Beneficial owner	-	-	1,725,000,000 (L)	67.41%
Chan Kin Sun (Note 3)	Interest of controlled corporation	-	-	1,725,000,000 (L)	67.41%
Chinese Strategic Holdings Limited (Note 5)	Interest of controlled corporation	318,953,215 (L)	12.46%	-	-
Top Status International Limited (Note 5)	Beneficial owner	318,953,215 (L)	12.46%	-	-
International Chaoshang Investment Group Limited (Note 6)	Beneficial owner	212,070,000	8.28%	-	-
Huang Zhen Da (Note 6)	Interest of controlled corporation	212,070,000	8.28%	-	-
VMS Investment Group Limited (Note 7)	Beneficial owner	133,000,000	5.19%	-	-
VMS Holdings Ltd. (Note 7)	Interest of controlled corporation	133,000,000	5.19%	-	-
Mak Siu Hang Viola (Note 7)	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 30 September 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 VMS Holdings Ltd., a company incorporated in the British Virgin Islands with limited liability and VMS Holdings Ltd. is in turn wholly owned by Mak Siu Hang Viola. As such, VMS Holdings Ltd. and Mak Siu Hang Viola are 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 2014 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

During the Reporting Period, the Company did not have any controlling shareholders. None of the directors of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete or may compete with the business of the Group or had or may have any other conflict of interest with the Group during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code 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 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. Ng Cheuk Fan, Keith (Chairman of the Audit Committee), Mr. Lau Tin Cheung and Mr. Yick Ting Fai, Jeffrey.

The unaudited condensed consolidated financial results of the Group for the Reporting Period have been reviewed by the Audit Committee.

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

Hong Kong, 10 November 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. Lau Tin Cheung, Mr. Ng Cheuk Fan, Keith and Mr. Yick Ting Fai, Jeffrey.