



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
2015





CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 Reports” page of the GEM website for at least 7 days from the date of its posting.



HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively, the “Group”) recorded an unaudited revenue of approximately HK\$16,739,000 for the three months ended 31 March 2015, representing an increase of approximately 230.2% as compared with approximately HK\$5,069,000 for the corresponding period in 2014.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2015 amounted to approximately HK\$7,747,000, representing a decrease of approximately 1.5% as compared with approximately HK\$7,862,000 for the corresponding period in 2014.

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2015.



UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2015 together with the comparative figures for the corresponding period in 2014.

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

(Expressed in Hong Kong dollars)

	NOTES	For the three months ended 31 March	
		2015 \$'000	2014 \$'000
Revenue	3	16,739	5,069
Cost of sales		(15,179)	(3,576)
Gross profit		1,560	1,493
Other revenue	3	315	6
Administrative expenses		(8,412)	(8,968)
Share of result of associates		(706)	-
Finance costs	4	(731)	(310)
Increase/(decrease) in fair value of financial asset at fair value through profit or loss		34	(289)
Loss on disposal of financial asset at fair value through profit or loss		(20)	-
Loss before taxation		(7,960)	(8,068)
Taxation	5	-	-
Loss for the period		(7,960)	(8,068)



		For the three months ended 31 March	
	<i>NOTES</i>	2015 \$'000	2014 \$'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation and other comprehensive income for the period		28	–
Total comprehensive expense for the period		(7,932)	(8,068)
Loss for the period attributable to:			
Owners of the Company		(7,747)	(7,862)
Non-controlling interests		(213)	(206)
		(7,960)	(8,068)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(7,727)	(7,862)
Non-controlling interests		(205)	(206)
		(7,932)	(8,068)
Loss per share	7		
Basic and diluted (<i>HK cent</i>)		(0.29)	(0.43)



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2015 (Expressed in Hong Kong dollars)

	Share capital \$'000	Share premium \$'000	Equity component of convertible bonds \$'000	Translation reserve \$'000	Special reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2014	35,177	45,729	29,651	-	6,026	(106,080)	10,503	(14)	10,489
Loss and total comprehensive expense for the period	-	-	-	-	-	(7,862)	(7,862)	(206)	(8,068)
	-	-	-	-	-	(7,862)	(7,862)	(206)	(8,068)
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
At 31 March 2014	51,177	175,627	37,460	-	6,026	(113,942)	156,348	(220)	156,128
At 1 January 2015	51,177	175,627	37,322	(185)	6,026	(133,473)	136,494	(1,448)	135,046
Loss for the period	-	-	-	-	-	(7,747)	(7,747)	(213)	(7,960)
Other comprehensive income for the period:									
Exchange gain on translation of foreign operation	-	-	-	20	-	-	20	8	28
Total comprehensive expense for the period	-	-	-	20	-	(7,747)	(7,727)	(205)	(7,932)
Issue of shares upon conversion of convertible bonds	8,500	-	(7,305)	-	-	-	1,195	-	1,195
At 31 March 2015	59,677	175,627	30,017	(165)	6,026	(141,220)	129,962	(1,653)	128,309



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.

During the year ended 31 December 2007, the Company re-domiciled from the Cayman Islands into Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The change of domicile was approved by the shareholders of the Company on 15 October 2007 and the Company was continued into Bermuda with limited liability with effect from 29 October 2007.

The addresses of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the 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 three months ended 31 March 2015, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the business of one-stop value chain services, health care services, property investment and trading of ceramic products and agricultural products.

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 2015 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2014 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

HKFRS 9 (2014)	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ²
Amendments to HKAS 1	Disclosure Initiative ²
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁵
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ²

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2017.

⁴ Effective for annual periods beginning on or after 1 January 2018.

⁵ Available application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

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:

	For the three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Revenue:		
One-stop value chain services	11,162	–
Health care services	5,534	5,030
Rental income (note)	39	39
Trading of agricultural products	4	–
	16,739	5,069
Other revenue	315	6
	17,054	5,075

Note:

	For the three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Gross rental income	39	39
Less: outgoings (included in cost of sales)	(6)	(14)
Net rental income	33	25



4. Finance costs

	For the three months ended 31 March	
	2015 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000
Effective interest expense on convertible bonds	731	216
Interest on loans from a former fellow subsidiary and a shareholder	-	94
	731	310

5. Taxation

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2015 and 2014. 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.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The EIT has not been provided for as the Group did not derive any assessable profit subject to EIT for both periods.

No Taiwan Profit-Seeking Enterprise Income Tax (17%) has been provided since there were no assessable profit for both periods.

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

6. Dividend

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2015 (2014: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2015 and 2014 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$7,747,000 (2014: HK\$7,862,000) and the weighted average of 2,680,809,504 (2014: 1,821,087,282) ordinary shares of HK\$0.02 each in issue during the three months ended 31 March 2015.

The computation of diluted loss per share for the periods ended 31 March 2015 and 31 March 2014 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, the balance of CB-I would be automatically converted into shares on Maturity Date.

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.

During the three months ended 31 March 2015, part of CB-I in the principal amount of HK\$8,500,000 were converted into 425,000,000 shares of the Company.

(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.

Transaction costs directly attributable to issue of the CB-II amounted to approximately HK\$352,000 are allocated to liability and equity components on initial recognition.

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) 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 2014	4,806	29,651	34,457
Interest paid	(2,177)	-	(2,177)
Issue of CB-II	11,977	7,671	19,648
Effective interest expense	2,364	-	2,364
At 31 December 2014	16,970	37,322	54,292
Interest paid	(509)	-	(509)
Conversion of CB-I	(605)	(7,305)	(7,910)
Effective interest expense	731	-	731
At 31 March 2015	16,587	30,017	46,604



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the three months ended 31 March 2015 (the "Reporting Period"), the Group has been principally engaged in the business of one-stop value chain services, health care services, property investment, and trading of ceramic products and agricultural products.

One-stop Value Chain Services

During the Reporting Period, the one-stop value chain business of the Group generated a revenue of approximately HK\$11,162,000 (three months ended 31 March 2014: Nil). 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.

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\$5,534,000 (three months ended 31 March 2014: HK\$5,030,000), representing an increase of approximately 10.0% as compared with the last corresponding period. The increase was mainly attributable to the increased efforts on marketing and promotion.

Property Investment

At 31 March 2015, the Group held properties in Hong Kong and the PRC for investment purpose amounted to approximately HK\$28,812,000 (31 December 2014: HK\$28,812,000).

During the Reporting Period, this business segment reported a revenue of approximately HK\$39,000 (three months ended 31 March 2014: HK\$39,000).

Given increase in demand of the property market in Hong Kong, Taiwan and the PRC, the Group is confident that reliable tenants can be identified to enhance the source of rental income, which will continue to benefit from the growth trend.



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 2014: Nil) for the Reporting Period.

During the Reporting Period, the Group saw no sign of recovery from decrease in demand. As such, the Group is re-considering the market situation for the future of the line of business.

Trading of Agricultural Products

During the Reporting Period, the trading of agricultural products segment generated a revenue of approximately HK\$4,000 (three months ended 31 March 2014: Nil).

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 a revenue of approximately HK\$16,739,000 (three months ended 31 March 2014: approximately HK\$5,069,000), representing an increase of approximately 230.2% as compared with the last corresponding period. The increase was mainly attributable to the increase in revenue generated from health care services sector and one-stop value chain services.

Cost of sales for the Reporting Period amounted to approximately HK\$15,179,000 (three months ended 31 March 2014: approximately HK\$3,576,000), representing an increase of approximately 324.5% as compared with the last corresponding period. The 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\$8,412,000 (three months ended 31 March 2014: approximately HK\$8,968,000), representing a decrease of approximately 6.2% as compared with the last corresponding period. This decrease was mainly due to the effective cost control measures implemented by the management.



Finance costs for the Reporting Period was approximately HK\$731,000 (three months ended 31 March 2014: approximately HK\$310,000), representing an increase of approximately 135.8% as compared with the last corresponding period. The increase was mainly due to the increase in effective interest expenses on convertible bonds.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$7,747,000 (three months ended 31 March 2014: approximately HK\$7,862,000). The basic loss per share of the Company was decreased from HK0.43 cent for the three months ended 31 March 2014 to HK0.29 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 2015, the cash and cash equivalents of the Group was approximately HK\$16,848,000 (31 December 2014: approximately HK\$36,995,000).

At 31 March 2015, the net assets of the Group was approximately HK\$128,309,000 (31 December 2014: HK\$135,046,000) and the net current assets was approximately HK\$52,784,000 (31 December 2014: approximately HK\$60,044,000).

Capital Structure

As at 31 March 2015, the issued ordinary share capital was HK\$59,677,301.20 divided into 2,983,865,060 ordinary shares of HK\$0.02 each ("Share(s)") (31 December 2014: HK\$51,177,301.20 divided into 2,558,865,060 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 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\$145.0 million. The net proceeds from the Placing was used as to (i) HK\$20.0 million for settling the cash consideration of the acquisition of a subsidiary, Konson Global Investments Limited; (ii) approximately HK\$51.8 million for general working capital of the Group (including as to approximately HK\$17.6 million for cost of goods sold, approximately HK\$8.3 million for salaries and allowance, approximately HK\$9.7 million for rents, rates and building management fee, and approximately HK\$16.2 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\$2.0 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\$57.2 million for acquisition of investment properties and other investment opportunities; and (v) the remaining balance of approximately HK\$9.6 million for future general working capital and future investment opportunities of the Company. The places 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 ("Convertible Bonds 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 Convertible Bonds II, 106,382,978 new shares shall be issued.

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



Further details of the issue of Convertible Bonds 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.

Placing of new shares

On 11 February 2015, the Company entered into a placing agreement with the placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent on a best effort basis, a maximum of 448,000,000 new ordinary shares with placing price of HK\$0.2 per placing share in the aggregate nominal value of approximately HK\$89,600,000 to not less than six places. The maximum net proceeds after deducting the transaction costs are approximately HK\$85,000,000. On 6 March 2015, the Company was informed by the placing agent that the placing had not been successful. Therefore, the placing agreement lapsed and the placing will not proceed. Further details of the placing are set out in the announcements of the Company dated 11 February 2015, 6 March 2015 and 9 March 2015.

Issue of 62,800,000 shares as a consideration of an acquisition

On 12 January 2015, Fujian Seton and Mr. Cheung Mong (the "Vendor") entered into the sale and purchase agreement pursuant to which Fujian Seton agreed to acquire and the Vendor agreed to sell a property situated in PRC at a consideration of RMB10,000,000 (equivalent to approximately HK\$12,560,000) (the "Acquisition Consideration") which shall be settled by cash payment or delivery of securities of equivalent value by a third party. The Group intends to hold the property for investment purpose. Details of this acquisition are set out in the announcement of the Company dated 12 January 2015.

On the same date, the Company as the assignee and the Vendor, as the assignor entered into the assignment agreement pursuant to which the Company conditionally agreed to accept and the Vendor conditionally agreed to assign the consideration debt at a consideration of HK\$12,560,000 (the "Assignment Consideration") which is equivalent to the Acquisition Consideration, to be settled by the issuance of 62,800,000 shares by the Company to the Vendor at the issue price of HK\$0.2 each under the general mandate of the Company.

On 22 April 2015, the consideration shares above have been duly allotted and issued to the Vendor and completion of the Assignment took place on 27 April 2015. Further details of this assignment are set out in the announcements of the Company dated 12 January 2015 and 27 April 2015.



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.

Event after the Reporting Period

Disposals of Shares

Within the past twelve month period ended 1 April 2015, the Group disposed of an aggregate of 13,392,000 shares of The Hong Kong Building and Loan Agency Limited (the "HKBLA") (Stock code: 145), a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange, on the market of the Stock Exchange at an aggregate consideration of approximately HK\$7.74 million (the "Disposals").

Upon the completion of the Disposals, the Group ceased to have any equity interest in HKBLA. Details of the Disposals are set out in the announcement of the Company dated 8 April 2015.

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 NTD92,000,000 (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 "Taipei Property"). The Taipei Property has an aggregate gross floor area of 2,958 square feet and is for residential use.

The Group intends to hold the Taipei Property for investment purpose and will, depending on the then market circumstances, lease out the Taipei Property after completion of the acquisition for rental income. Completion of the acquisition took place on 13 April 2015.

Further details of this acquisition and the Assignment Agreement are set out in the announcements of the Company dated 8 September 2014 and 13 April 2015.



Acquisition of property in Shenzhen

On 24 December 2014, Chengwang Investment Consulting (Shenzhen) Co., Ltd. (承望投資諮詢(深圳)有限公司), a company of limited liability incorporated in PRC and is wholly-owned subsidiary of the Company (the "Purchaser"), and Mr. Tsoi Man Po (蔡民寶) (the "Vendor") entered into the sale and purchase agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Property (as defined below) at a consideration of RMB7,000,000 (equivalent to approximately HK\$8,750,000).

The Property is located at Unit 9-11B, Block 2, Mangrove West Coast, Mangrove Bay, Binhai Avenue, Nanshan District, Shenzhen, PRC (中國深圳市南山區濱海大道紅樹灣紅樹西岸花園2棟9-11B) (the "Shenzhen Property"). The Property has an aggregate gross floor area of 116.33 square metres and is for residential use.

The Group intends to hold the Shenzhen Property for investment purpose and will, depending on the then market circumstances, lease out the Property after completion of the acquisition for rental income. The Acquisition is expected to be completed on or before 30 January 2015 (the "Long Stop Date"). As the Vendor failed to transfer all relevant ownership certificates in relation to the Shenzhen Property from the relevant authorities on or before the Long Stop Date, the agreement regarding the Acquisition has been lapsed.

Subsequently, on 21 April 2015, the Purchaser and the Vendor entered into the Second Sale and Purchase Agreement pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell the Shenzhen Property at a consideration of RMB6,200,000 (equivalent to approximately HK\$7,750,000). As at the date of this report, the acquisition of the Shenzhen Property has not been completed.

Further details of this acquisition are set out in the announcements of the Company dated 24 December 2014 and 21 April 2015.



Cessation of health care service business

As disclosed on the Company's announcement dated 15 April 2015, due to reallocation of resources of the Group, on 15 April 2015, Kaley Development Limited, a wholly-owned subsidiary of the Company, entered into a termination agreement which the termination will result in the cessation of health care services business of the Group which accounts for approximately 48.65% of the Group's audited total revenue for the year ended 31 December 2014.

The Group will save the resources on the development of its other core businesses. The board of directors of the Company from time to time explore new business opportunities and will update the shareholders and potential investors of the Company as and when appropriate and in accordance with the GEM Listing Rules.

OUTLOOK

During the Reporting Period, the Group continued to achieve improvement in generating revenue, and this trend has been continued afterwards. As disclosed in the Company's announcement dated 15 April 2015, the Group had decided to make a strategic move to cease the health care service business which had been a major component of the Group's revenue. This business segment had recorded sustained loss and given the keen competition in the market, the Group intended to allocate its resources to develop other business opportunities.

As regard the one-stop value chain services, the Group successfully expanded its portfolio into different commodities. Given the Group's effort to strengthen its sales and marketing team, it is anticipated that this business segment shall provide more solid contribution to the Group.

As regard the property investment business, given the continued easing fiscal policies globally in particular in China, the Group is optimistic in the overall property market and shall expand its investment portfolio should suitable opportunities arise in this area.

The management shall continue to actively look for new business opportunities with a view to optimize the Group's overall investment portfolios in accordance with the Group's business strategies and planning.



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 2015, 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 2015, 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 (Note 1)	Number of underlying Shares	Approximate percentage of the issued share capital (Note 1)
So Chi Yuk (Note 2)	Interest of controlled corporation	-	-	1,300,000,000 (L) (Note 4)	43.56%
Sino Coronet Limited (Note 2)	Beneficial owner	-	-	1,300,000,000 (L) (Note 4)	43.56%
Yardley Finance Limited (Note 3)	Beneficial owner	-	-	1,300,000,000 (L)	43.56%
Chan Kin Sun (Note 3)	Interest of controlled corporation	-	-	1,300,000,000 (L)	43.56%
Chinese Strategic Holdings Limited (Note 5)	Interest of controlled corporation	373,053,215 (L)	12.50%	-	-
Top Status International Limited (Note 5)	Beneficial owner	318,953,215 (L)	10.68%	-	-
International Chaoshang Investment Group Limited (Note 6)	Beneficial owner	219,070,000 (L)	7.34%	-	-
Huang Zhen Da (Note 6)	Interest of controlled corporation	219,070,000 (L)	7.34%	-	-
Elegant Basic Investments Limited (Note 7)	Beneficial owner	325,000,000 (L) (Note 8)	10.89%	-	-
PME Group Limited (Note 7)	Interest of controlled corporation	325,000,000 (L) (Note 8)	10.89%	-	-

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



Notes:

1. As at 31 March 2015, the Company's issued ordinary share capital was HK\$59,677,301.20 divided into 2,983,865,060 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 the Convertible Bonds I.
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. Sino Coronet is holding convertible bonds in the principal amount of HK\$26,000,000 which can be converted into 1,300,000,000 new Shares at conversion price of HK\$0.02 per Share.
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 Holdings Limited ("Chinese Strategic") (Stock Code: 8089), 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 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. Elegant Basic Investments Limited ("Elegant Basic"), a company incorporated in the British Virgin Islands with limited liability, is wholly owned by PME Group Limited (Stock Code: 379), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange. As such, PME Group Limited is deemed to be interested in these shares.
8. Elegant Basic is holding convertible bonds in the principal amount of HK\$6,500,000 which can be converted into 325,000,000 new Shares at conversion price of HK\$0.02 per Share.

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 2015 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.



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 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. Ng Cheuk Fan, Keith (Chairman of the Audit Committee), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2015 have been reviewed by the members of the Audit Committee.

By Order of the Board
China Eco-Farming Limited
So David Tat Man
Executive Director

Hong Kong, 8 May 2015

As at the date of this report, the executive Director is Mr. So David Tat Man; and the independent non-executive Directors are Mr. Ng Cheuk Fan, Keith, Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.