



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

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



Interim Report 2015





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

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

*This report will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Company 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\$27,653,000 for the six months ended 30 June 2015 (the “Reporting Period”) (representing an increase of approximately 117.3% as compared with approximately HK\$12,724,000 for the last corresponding period).

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$11,541,000, representing a decrease of approximately 8.5% as compared with approximately HK\$12,612,000 for the last corresponding period.

The board of directors of the Company (the “Board”) does not recommend any payment of interim dividend for the Reporting Period.



## UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2015 together with the comparative figures for the last corresponding periods.

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2015 \$'000	2014 \$'000 (Restated)	2015 \$'000	2014 \$'000 (Restated)
<b>Continuing operations</b>					
Revenue	3	10,045	2,482	21,250	2,521
Cost of sales		(9,793)	(2,375)	(20,750)	(2,389)
Gross profit		252	107	500	132
Other revenue	3	313	70	625	71
Administrative expenses		(6,491)	(5,964)	(12,617)	(12,380)
Finance costs	5	(699)	(703)	(1,430)	(1,013)
Gain on disposal of financial assets at fair value through profit or loss		3,026	237	3,006	237
Share of results of associates		(128)	247	(834)	247
Gain on bargain purchase	19	-	1,431	-	1,431
(Decrease)/increase in fair value of financial assets at fair value through profit or loss		(169)	611	(135)	322
Loss before taxation		(3,896)	(3,964)	(10,885)	(10,953)
Taxation	6	-	-	-	-
Loss for the period from continuing operations		(3,896)	(3,964)	(10,885)	(10,953)
<b>Discontinued operations</b>					
Loss for the period from discontinued operations	20	(30)	(968)	(1,001)	(2,047)
Loss for the period	7	(3,926)	(4,932)	(11,886)	(13,000)



	Note	For the three months ended 30 June		For the six months ended 30 June	
		2015 \$'000	2014 \$'000 (restated)	2015 \$'000	2014 \$'000 (restated)
Loss for the period attributable to:					
– owners of the Company		<b>(3,794)</b>	(4,750)	<b>(11,541)</b>	(12,612)
– non-controlling interests		<b>(132)</b>	(182)	<b>(345)</b>	(388)
		<b>(3,926)</b>	(4,932)	<b>(11,886)</b>	(13,000)
Loss attributable to owners of the Company arising from:					
– continuing operations		<b>(3,764)</b>	(3,782)	<b>(10,540)</b>	(10,565)
– discontinued operations		<b>(30)</b>	(968)	<b>(1,001)</b>	(2,047)
		<b>(3,794)</b>	(4,750)	<b>(11,541)</b>	(12,612)
Loss per share from continuing and discontinued operations attributable to owners of the Company					
Basic and diluted					
(HK cents)	9				
– From continuing operations		<b>(0.12)</b>	(0.15)	<b>(0.36)</b>	(0.48)
– From discontinued operations		<b>(0.00)</b>	(0.04)	<b>(0.03)</b>	(0.10)
		<b>(0.12)</b>	(0.19)	<b>(0.39)</b>	(0.58)



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Expressed in Hong Kong dollars)

	For the three months ended 30 June		For the six months ended 30 June	
	2015 \$'000	2014 \$'000 (restated)	2015 \$'000	2014 \$'000 (restated)
Loss for the period	<b>(3,926)</b>	(4,932)	<b>(11,886)</b>	(13,000)
Other comprehensive loss:				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences arising on translation of foreign operations	<b>(26)</b>	(122)	<b>2</b>	(122)
<b>Total comprehensive expense for the period</b>	<b>(3,952)</b>	(5,054)	<b>(11,884)</b>	(13,122)
Attributable to:				
– Owners of the Company	<b>(3,830)</b>	(4,820)	<b>(11,556)</b>	(12,682)
– Non-controlling interests	<b>(122)</b>	(234)	<b>(328)</b>	(440)
	<b>(3,952)</b>	(5,054)	<b>(11,884)</b>	(13,122)
<b>Total comprehensive expense attributable to owners of the Company for the period arising from:</b>				
– Continuing operations	<b>(3,800)</b>	(3,852)	<b>(10,555)</b>	(10,635)
– Discontinued operations	<b>(30)</b>	(968)	<b>(1,001)</b>	(2,047)
	<b>(3,830)</b>	(4,820)	<b>(11,556)</b>	(12,682)



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in Hong Kong dollars)

	<i>Notes</i>	<b>At 30 June 2015 \$'000 (Unaudited)</b>	At 31 December 2014 \$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment		<b>3,730</b>	4,408
Investment properties	10	<b>69,123</b>	28,812
Interests in associates		<b>42,897</b>	43,731
Loan to non-controlling interests		<b>735</b>	735
Goodwill		<b>908</b>	908
Deposit paid for acquisition of investment properties		<b>3,125</b>	14,113
		<b>120,518</b>	92,707
<b>Current assets</b>			
Inventories		<b>1,933</b>	934
Trade and other receivables	11	<b>37,626</b>	10,896
Deposit paid for operating right		<b>-</b>	1,200
Financial asset at fair value through profit or loss		<b>17,979</b>	21,969
Bank balances and cash		<b>11,423</b>	36,995
		<b>68,961</b>	71,994
Assets of disposal group classified as held for sale	20	<b>1,281</b>	-
		<b>70,242</b>	71,994
<b>Current liabilities</b>			
Trade and other payables	12	<b>3,507</b>	10,814
Interest-bearing bank borrowing	13	<b>10,436</b>	-
Amount due to non-controlling interests		<b>1,053</b>	1,053
Income tax payable		<b>14</b>	83
		<b>15,010</b>	11,950
Liabilities of disposal group classified as held for sale	20	<b>23</b>	-
		<b>15,033</b>	11,950
<b>Net current assets</b>		<b>55,209</b>	60,044
<b>Total assets less current liabilities</b>		<b>175,727</b>	152,751



	<i>Notes</i>	<b>At 30 June 2015 \$'000 (Unaudited)</b>	At 31 December 2014 \$'000 (Audited)
<b>Non-current liabilities</b>			
Convertible bonds	<i>15</i>	<b>15,006</b>	16,970
Loan from non-controlling interests		<b>735</b>	735
		<b>15,741</b>	17,705
<b>Net assets</b>		<b>159,986</b>	135,046
<b>Capital and reserves</b>			
Share capital	<i>14</i>	<b>72,933</b>	51,177
Reserves		<b>88,829</b>	85,317
<b>Equity attributable to owners of the Company</b>		<b>161,762</b>	136,494
<b>Non-controlling interests</b>		<b>(1,776)</b>	(1,448)
<b>Total equity</b>		<b>159,986</b>	135,046





## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Share premium	Equity component of convertible bonds	Translation reserve	Special reserve	Capital contribution reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2014</b>	35,177	45,729	29,651	-	6,026	-	(106,080)	10,503	(14)	10,489
Loss for the period	-	-	-	-	-	-	(12,612)	(12,612)	(388)	(13,000)
Other comprehensive loss for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	(70)	-	-	-	(70)	(52)	(122)
Total comprehensive expense for the period	-	-	-	(70)	-	-	(12,612)	(12,682)	(440)	(13,122)
Placing of new shares (note 14(b))	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 15)	-	-	7,809	-	-	-	-	7,809	-	7,809
<b>At 30 June 2014</b>	51,177	175,627	37,460	(70)	6,026	-	(118,692)	151,528	(454)	151,074
<b>At 1 January 2015</b>	51,177	175,627	37,322	(185)	6,026	-	(133,473)	136,494	(1,448)	135,046
Loss for the period	-	-	-	-	-	-	(11,541)	(11,541)	(345)	(11,886)
Other comprehensive loss for the period:										
Exchange differences arising on translation of foreign operation	-	-	-	(15)	-	-	-	(15)	17	2
Total comprehensive expense for the period	-	-	-	(15)	-	-	(11,541)	(11,556)	(328)	(11,884)
Issue of new shares	1,256	12,686	-	-	-	-	-	13,942	-	13,942
Issue of shares upon conversion of convertible bonds (note 14(c))	20,500	-	(17,618)	-	-	-	-	2,882	-	2,882
Capital contribution to JV company (as defined in note 22(i))	-	-	-	-	-	20,000	-	20,000	-	20,000
<b>At 30 June 2015</b>	72,933	188,313	19,704	(200)	6,026	20,000	(145,014)	161,762	(1,776)	159,986



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Hong Kong dollars)

	<b>For the six months ended 30 June</b>	
	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
<b>Net cash used in operating activities</b>	<b>(21,521)</b>	(15,160)
Purchase of investment properties	<b>(18,533)</b>	-
Proceeds on disposal/(purchase) of financial assets at fair value through profit or loss, net	<b>6,861</b>	(9,985)
Net cash outflow from acquisition of subsidiaries	-	(19,670)
Other cash flows arising from investing activities	<b>345</b>	(2,961)
<b>Net cash used in investing activities</b>	<b>(11,327)</b>	(32,616)
Proceeds from issue of convertible bonds	-	150,400
Transaction costs from issue of shares	-	(4,502)
Proceeds from new bank loan	<b>10,537</b>	-
Interest paid	<b>(2,032)</b>	-
Repayment of loan to a former fellow subsidiary	-	(2,000)
Repayment of loan to a shareholder	-	(4,300)
Other cash flows arising from financing activities	<b>(101)</b>	-
<b>Net cash from financing activities</b>	<b>8,404</b>	139,598
Net (decrease)/increase in cash and cash equivalents	<b>(24,444)</b>	91,822
Cash and cash equivalents at the beginning of period	<b>36,995</b>	14,552
Effect of foreign exchange rates changes, net	<b>2</b>	(122)
Cash and cash equivalents at the end of period, represented by bank balances and cash and cash and cash equivalents attributable to a discontinued operation (note 20)	<b>12,553</b>	106,252



## 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 were 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 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 six months ended 30 June 2015, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of 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 New Taiwan dollars ("NTD") respectively, the functional currency of the Company and its subsidiaries is HK\$.

The unaudited condensed consolidated financial statements are prepared in HK\$, which is the same as the functional currency of the Group.



## 2. Principal accounting policies and basis of preparation

The unaudited condensed interim 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 assets at fair value though profit or loss 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 six months ended 30 June 2015 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2014.

In the current year, the Group has applied, for the first time, the following new standards, amendments, and interpretations ("new HKFRSs") issued by HKICPA which are effective for the Group's financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
Amendments to Hong Kong Accounting Standard 19	Defined Benefit Plans – Employee Contributions

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these condensed consolidated financial statements.



### 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 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited and restated)	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited and restated)
Continuing operations:				
Rental income ( <i>note</i> )	<b>136</b>	39	<b>175</b>	78
One-stop value chain services	<b>9,772</b>	2,244	<b>20,934</b>	2,244
Trading of agricultural products	<b>137</b>	199	<b>141</b>	199
Other revenue	<b>313</b>	70	<b>625</b>	71
	<b>10,358</b>	2,552	<b>21,875</b>	2,592
Discontinued operations:				
Health care services	<b>869</b>	5,173	<b>6,403</b>	10,203
Other revenue	<b>23</b>	9	<b>26</b>	14
	<b>892</b>	5,182	<b>6,429</b>	10,217
	<b>11,250</b>	7,734	<b>28,304</b>	12,809

Note:

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)
Gross rental income	<b>136</b>	39	<b>175</b>	78
Less: outgoings (included in cost of sales)	<b>(6)</b>	(31)	<b>(12)</b>	(45)
Net rental income	<b>130</b>	8	<b>163</b>	33



#### 4. Segment information

The Group's operation segments, based on information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions
2. Property investment – generated rental income from operating leases of Group's investment properties
3. Trading of agricultural products – trading of agricultural products

As discussed in the Company's announcement dated 15 April 2015, the Group had decided to make a strategic move to cease the health care services business which had been a major component of the Group's revenue.

Due to the continuous slowdown of the domestic economic growth and decrease in the product demand of ceramic products, the Board decided to cease this business segment.

#### Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

	Unaudited six months ended 30 June 2015							
	Continuing operations				Discontinued operations			
	Trading of agricultural products	Property investment	One-stop value chain services	Sub-total	Health care services	Trading of ceramic products	Sub-total	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE								
External sales	141	175	20,934	21,250	6,403	-	6,403	27,653
Segment results	(1,534)	(490)	(592)	(2,616)	(915)	-	(915)	(3,531)
Unallocated corporate other gain								625
Unallocated corporate expenses								(9,587)
Gain on disposal of financial assets at fair value through profit or loss								3,006
Decrease in fair value of financial assets at fair value through profit or loss								(135)
Share of results of associates								(834)
Finance costs								(1,430)
Loss before taxation								(11,886)



	Unaudited six months ended 30 June 2014 (restated)							
	Continuing operations				Discontinued operations			
	Trading of agricultural products <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	One-stop value chain services <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Health care services <i>HK\$'000</i>	Trading of ceramic products <i>HK\$'000</i>	Sub-total <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE								
External sales	199	78	2,244	2,521	10,203	-	10,203	12,724
Segment results	-	25	8	33	(1,885)	-	(1,885)	(1,852)
Gain on bargain purchase								1,431
Unallocated corporate other gain								71
Unallocated corporate expenses								(12,443)
Gain on disposal of financial assets at fair value through profit or loss								237
Share of results of associates								247
Increase in fair value of financial assets through profit or loss								322
Finance costs								(1,013)
Loss before taxation								(13,000)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the (loss from)/profit earned by each segment without allocation of central administration expenses, directors' emoluments, other revenue, gain on disposal of financial assets at fair value through profit or loss, share of results of associates, fair value changes on financial assets at fair value through profit or loss, gain on bargain purchase and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

**5. Finance costs**

	For the three months ended 30 June		For the six months ended 30 June	
	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)	2015 <i>HK\$'000</i> <b>(Unaudited)</b>	2014 <i>HK\$'000</i> (Unaudited)
Interest on bank loans	<b>47</b>	-	<b>47</b>	-
Effective interest expense on convertible bonds	<b>652</b>	703	<b>1,383</b>	919
Interest on loan from a former fellow subsidiary and a shareholder	-	-	-	94
	<b>699</b>	703	<b>1,430</b>	1,013



## 6. Taxation

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

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.

## 7. Loss for the period

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Loss for the period has been arrived at after charging:				
Directors' and chief executive's emoluments	439	608	742	1,255
Other staff costs (excluding directors' and chief executive's emoluments)	1,214	1,293	2,678	2,535
Retirement benefits scheme contributions (excluding directors and chief executive)	53	100	115	143
	<b>1,706</b>	2,001	<b>3,535</b>	3,933
Auditors' remuneration	128	108	236	216
Cost of inventories recognised as an expense	9,772	2,344	20,708	2,344
Depreciation for plant and equipment	225	125	489	161
Minimum lease payments paid under operating leases in respect of office premises	770	2,270	2,910	4,467

## 8. Dividend

No dividend was paid, declared or proposed during the interim period (2014: Nil). The Directors have determined that no dividend will be paid in respect of the interim period.





**9. Loss per share**

Basic:

The calculation of the basic loss per share is based on the unaudited consolidated loss for both the three months and six months ended 30 June 2015 and 2014 attributable to owners of the Company and the weighted average number of ordinary shares in issue during both the three months and six months ended 2015 and 2014.

	<b>For the three months ended 30 June</b>		<b>For the six months ended 30 June</b>	
	<b>2015 (Unaudited)</b>	2014 (Unaudited and restated)	<b>2015 (Unaudited)</b>	2014 (Unaudited and restated)
<b>From continuing operations:</b>				
Unaudited loss attributable to owners of the Company (HK\$'000)	<b>(3,764)</b>	(3,782)	<b>(10,540)</b>	(10,565)
Weighted average number of shares in issue	<b>3,148,106,818</b>	2,558,865,060	<b>2,915,749,038</b>	2,192,014,231
Basic loss per share (HK cents per share)	<b>(0.12)</b>	(0.15)	<b>(0.36)</b>	(0.48)
<b>From discontinued operations:</b>				
Unaudited loss attributable to owners of the Company (HK\$'000)	<b>(30)</b>	(968)	<b>(1,001)</b>	(2,047)
Weighted average number of shares in issue	<b>3,148,106,818</b>	2,558,865,060	<b>2,915,749,038</b>	2,192,014,231
Basic loss per share (HK cents per share)	<b>(0.00)</b>	(0.04)	<b>(0.03)</b>	(0.10)

The computation of diluted loss per share for both the three months and six months ended 30 June 2015 and 30 June 2014 is the same as the basic loss per share as the assumed exercise of diluting events has an anti-dilutive effect.



## 10. Investment properties

During the six months ended 30 June 2015, the Group had additions to investment properties with the amount of approximately HK\$40,311,000 (2014: nil).

Details of the Group's investment properties and information about the fair value hierarchy as at 30 June 2015 and 31 December 2014 are as follows:

	<b>Fair value as at 30 June 2015 HK\$'000 (Unaudited)</b>	Fair value as at 31 December 2014 HK\$'000 (Audited)
Investment properties located in Hong Kong (categorised as Level 2)	<b>8,350</b>	8,350
Investment properties located outside Hong Kong (categorised as Level 2)	<b>60,773</b>	20,462
	<b>69,123</b>	28,812

## 11. Trade and other receivables

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Trade receivables	<b>4</b>	888
Deposit and other receivables ( <i>note i</i> )	<b>32,779</b>	5,306
Less: allowance for doubtful debts	<b>(800)</b>	(800)
	<b>31,979</b>	4,506
Secured loan receivable ( <i>note ii</i> )	<b>5,230</b>	5,032
Prepayments	<b>413</b>	470
	<b>37,626</b>	10,896



Notes:

- i. As at 30 June 2015, included in the deposit and other receivables is a refundable deposit of HK\$1,980,000 (2014: HK\$1,980,000) paid for the acquisition of 51% equity interest in an entity incorporated in Taiwan from an independent third party. The transaction will be completed upon fulfillment of certain conditions. This deposit is refundable and classified as current assets in the consolidated financial statements as at 30 June 2015. As at the reporting date, the transaction has not yet been completed.

Included in the deposit and other receivables is a refundable deposit of HK\$20,000,000 (2014: nil) paid for the Acquisition to Chinese Strategic Holdings Limited ("Chinese Strategic") for on behalf of Rich Best Asia Limited, through Delightful Hope Limited (*note 22(ii)*).

- ii. As at 30 June 2015, the loan receivable granted to an independent party is secured by second legal charge, bears interest at a fixed interest rate at 8% per annum and is repayable on 3 December 2015.

Apart from the secured loan receivable as mentioned in note ii above, the Group does not hold any collateral over the trade and other receivables.

The credit period granted to the Group's trade customers generally ranges from 0 days to 30 days. The ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which is as follows:

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
0 to 30 days	<b>4</b>	888

**12. TRADE AND OTHER PAYABLES**

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Trade payables	-	729
Other payables	<b>3,507</b>	9,722
Deferred revenue	-	363
	<b>3,507</b>	10,814



The following is an aged analysis of trade payable presented based on the invoice date at the end of the reporting period.

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
0 to 30 days	–	729

The average credit period on purchases of goods is 14 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

### 13. Interest-bearing bank borrowing

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
<b>Current</b>		
Bank borrowing – secured	<b>10,436</b>	–

As at 30 June 2015, the interest-bearing borrowing is denominated in NTD.

The Group's secured bank borrowing in the amount of HK\$10,436,000 (31 December 2014: nil) as at 30 June 2015 containing a repayment on demand clause and accordingly is classified as current interest-bearing bank borrowing and analysed into bank loan repayable on demand.

The bank loan bears interest rate at 2% per annum in the first 12 principal repayments, 2.25% per annum in the second 12 principal repayments and 2.35% per annum for the remaining principal repayments.

As at 30 June 2015, the bank loan facilities were supported by the pledge of the Group's investment property located in Taiwan with a carrying amount of approximately NTD90,221,000, equivalent to approximately HK\$23,187,000 (31 December 2014: nil).



**14. Share capital**

	<b>Nominal value per share</b> <i>HK\$</i>	<b>Number of shares</b>	<b>Amount</b> <i>HK\$'000</i>
<b>Ordinary shares</b>			
<i>Authorised:</i>			
At 1 January 2014	0.02	4,130,434,785	82,609
Increase in authorised share capital ( <i>note a</i> )	0.02	5,000,000,000	100,000
<hr/>			
At 31 December 2014 and 30 June 2015	0.02	9,130,434,785	182,609
<hr/>			
<i>Issued and fully paid:</i>			
At 1 January 2014	0.02	1,758,865,060	35,177
Placing of new shares ( <i>note b</i> )	0.02	800,000,000	16,000
<hr/>			
At 31 December 2014	0.02	2,558,865,060	51,177
Issue of shares upon conversion of convertible bonds ( <i>note c</i> )	0.02	1,025,000,000	20,500
Issue and allotment of consideration shares on 22 April 2015 for acquisition of a property ( <i>note d</i> )	0.02	62,800,000	1,256
<hr/>			
At 30 June 2015	0.02	3,646,665,060	72,933
<hr/>			
<i>Authorised convertible preference shares:</i>			
At 1 January 2014, 31 December 2014 and 30 June 2015 ( <i>note a</i> )	0.10	173,913,043	17,391
<hr/>			
<i>Issued and fully paid convertible preference shares:</i>			
At 1 January 2014, 31 December 2014 and 30 June 2015	0.10	-	-
<hr/>			



Notes:

- (a) At the extraordinary general meeting of the Company held on 7 March 2014, special resolution was passed approving the increase in authorised share capital of the Company from HK\$100,000,000 consisting of (i) HK\$82,608,695.70 divided into 4,130,434,785 shares, of which 1,758,865,060 shares have been issued and allotted as fully paid or credited as fully paid; and (ii) HK\$17,391,304.30 being the nominal amount of the convertible preference shares of the Company to HK\$200,000,000 (divided into 9,130,434,785 shares and 173,913,043 convertible preference shares of the Company at par values of HK\$0.02 and HK\$0.10 respectively) by the creation of an additional 5,000,000,000 new shares.
- (b) On 13 December 2013, the Company and Ping An of China Securities (Hong Kong) Company Limited and FT Securities Limited (collectively, the "Co-Placing Agents") entered into the co-placing agreement, pursuant to which the Company has conditionally agreed to place, through the Co-Placing Agents on a best effort basis a maximum of 800,000,000 placing shares at a placing price of HK\$0.188 per placing share (the "Placing").

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

- (c) During the six months ended 30 June 2015, one of the Convertible Bonds with principal amount of HK\$20,500,000 were converted into 1,025,000,000 ordinary shares of HK\$0.02 each of the Company at the conversion price of HK\$0.02 per share.
- (d) On 12 January 2015, Fujian Seton Investment Co., Ltd. ("Fujian Seton"), an indirect wholly-owned subsidiary of the Company and Mr. Cheung Mong ("Mr. Cheung") entered into the sale and purchase agreement pursuant to which Fujian Seton agreed to acquire and Mr. Cheung agreed to sell a property situated in the PRC at a consideration of approximately RMB10,000,000 (equivalent to approximately HK\$12,560,000) 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. On the same date, the Company as the assignee and Mr. Cheung, as the assignor entered into the assignment agreement pursuant to which the Company conditionally agreed to accept and Mr. Cheung conditionally agreed to assign the consideration debt at a consideration of HK\$12,560,000 which is equivalent to the acquisition consideration, to be settled by the issuance of 62,800,000 shares by the Company to Mr. Cheung 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 Mr. Cheung and completion of the assignment took place on 27 April 2015.



## 15. 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 six months ended 30 June 2015, part of CB-I in the principal amount of HK\$20,500,000 were converted into 1,025,000,000 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.

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:

	<b>Liability component</b> <i>HK\$'000</i>	<b>Equity component</b> <i>HK\$'000</i>	<b>Total</b> <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	(2,032)	–	(2,032)
Conversion of CB-I	(1,315)	(17,618)	(18,933)
Effective interest expense	1,383	–	1,383
At 30 June 2015 (unaudited)	15,006	19,704	34,710

**16. Operating lease commitment*****Commitments under operating lease***

*The Group as lessee*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Restated)
Within one year	<b>1,971</b>	4,001
In the second to the fifth years inclusive	<b>1,965</b>	2,298
	<b>3,936</b>	6,299

Operating lease payments represent rental payable by the Group for certain of its office premises. Leases are negotiated for terms of one to five years (31 December 2014: one to two years) and rentals are fixed over the terms of the leases.



*The Group as lessor*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Within one year	<b>650</b>	146
In the second to the fifth years inclusive	<b>2,482</b>	–
	<b>3,132</b>	146

**17. Capital commitment**

	<b>At 30 June 2015 HK\$'000 (Unaudited)</b>	At 31 December 2014 HK\$'000 (Audited)
Capital expenditure in respect of the acquisition of investment properties contracted for but not provided in the condensed consolidated financial statements/ consolidated financial statements	<b>4,625</b>	21,768
Issue of convertible bonds for major and connected transaction in relation to the acquisition of the entire equity interest in China Smart Asia Limited ( <i>note 22(ii)</i> )	<b>46,500</b>	–
	<b>51,125</b>	21,768

**18. Fair value measurements of financial instruments**

***Fair value of the Group's financial assets that are measured at fair value on a recurring basis***

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;



- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>Financial assets</b>	<b>Fair value as at 30 June 2015</b>	<b>Fair value hierarchy</b>	<b>Valuation technique(s) and key inputs</b>
Held-for-trading non-derivative financial assets classified as FVTPL in the consolidated statement of financial position	Listed equity securities in Hong Kong HK\$12,790,000 (31 December 2014: HK\$16,780,000)	Level 1	Quoted bid prices in an active market
Designated as financial assets at fair value through profit or loss – Convertible bonds	HK\$5,189,000 (31 December 2014: HK\$5,189,000)	Level 3	Using Binomial Option Pricing model: by reference to the face value of the bond and its coupon rate and the quoted price of listed equity within the same industry and the market interest rate for determination of option value. The discount rate adopted is ranged from 12.49% to 16.16%. The relationship of key inputs and fair value: the higher the discount rate, the lower the fair value.

*Note:* There were no transfers between levels of fair value hierarchy in the current reporting period.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to the short-term maturity or the impact of discounting not significant.

## 19. Acquisition of a subsidiary

As mentioned in the Circular dated 19 February 2014 (the “Circular”) and note 15(b) to this report, Skyline Top acquired 100% interest in Konson Global Investments Limited (“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
<hr/>	

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
<hr/>	

#### **Impact of acquisition on the results of the Group**

Included in the loss for the interim period is profit of approximately of HK\$243,000 (including share of result of associates of approximately HK\$247,000) attributable to Konson and Target Investment Companies. None of the revenue for the interim period is attributable to Konson and Target Investment Companies.

Had the acquisition of Konson been effected at the beginning of the interim period, the total amount of revenue of the Group for the six months ended 30 June 2014 would have been HK\$2,521,000 (restated), and amount of the loss for the interim period would have been HK\$13,361,000. 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 interim period, nor is it intended to be a projection of future results.



## 20. Discontinued operations

Pursuant to a resolution passed on 15 April 2015 and 30 June 2015, the directors of the Company decided to cease the operation of two segments, health care services and trading of ceramic products, respectively, with immediate effect. The assets and liabilities attributable to these segments have been classified as a disposal group held for sale and are presented separately in the condensed consolidated statement of financial position.

Details are set out in the Company's announcement dated 15 April 2015 for health care services.

The loss for the three and six months ended 30 June 2015 and 2014 from the discontinued operation is analysed as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	869	5,173	6,403	10,203
Cost of sales	(663)	(4,384)	(4,885)	(7,946)
Gross profit	206	789	1,518	2,257
Other revenue	23	9	26	14
Administrative expenses	(259)	(1,766)	(2,545)	(4,318)
Loss before taxation	(30)	(968)	(1,001)	(2,047)
Taxation	–	–	–	–
Loss for the period	(30)	(968)	(1,001)	(2,047)

The carrying amounts of the assets and liabilities of disposal groups classified as held for sale as at 30 June 2015 are as follows:

	HK\$'000
Trade and other receivables	151
Cash and cash equivalents	1,130
Assets of disposal groups classified as held for sale	1,281
Income tax payable	23
Liabilities to disposal groups classified as held for sale	23



**21. Related party transactions**

(a) The Group entered into the following significant transactions with related parties during the six months ended 30 June 2015 and 2014:

Name of company	Nature of transaction	For the six months ended 30 June	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Sino Coronet Limited (Note 1)	CB-I interest expense	212	392
Bright Kingdom International Limited (Note 2)	Consultancy fee paid	300	227

Note 1: Sino Coroent Limited is the wholly owned subsidiary of the shareholder of the Company.

Note 2: Bright Kingdom International Limited is connected with one of the director of the Company.

**(b) Compensation of key management personnel**

The remuneration of directors of the Company and other members of key management during six months ended 30 June 2015 and 2014 was as follows:

	For the six months ended 30 June	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Short-term benefits	1,927	2,213
Post-employment benefits	47	45
	<b>1,974</b>	<b>2,258</b>

The remuneration of directors of the Company and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.



## 22. Events after the reporting period

### ***i. Major and connected transaction in relation to the acquisition of the entire equity interest in China Smart Asia limited involving the issue of convertible bonds under specific mandate***

On 28 May 2015, Skyline Top Limited (“Skyline”), a wholly owned subsidiary of the Company, and Yardley Wealth Management Limited (“Yardley”) became shareholders (“JV Partners”) to the Delightful Hope Limited (“JV Company”) for the purpose of the proposed acquisition. The JV Company is owned as to 50% by each of the JV Partners.

Upon the foundation of JV Company, the JV Partners and the JV Company have agreed to make provision for the management and administration of the JV Company’s affair, and set out their respective obligations and rights on the terms and conditions set in the proposed shareholders’ agreement (the “Shareholders’ Agreement”). The Shareholders’ Agreement shall be executed forthwith upon obtaining the Shareholders’ approval in respect of the Shareholders’ Agreement.

On 29 May 2015, the Company, Delightful Hope Limited (the “Purchaser”), Yardley and Rich Best Asia Limited (the “Vendor”) entered into the sale and purchase agreement (the “Sale and Purchase Agreement”) pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 1 ordinary share in China Smart Asia Limited at consideration of HK\$93,000,000, which shall be settled and discharged by the Purchaser in accordance with the time, mode and manner set out under the Sale and Purchase Agreement: (i) forthwith upon the execution of the Sale and Purchase Agreement, the Purchaser and Yardley shall jointly and severally pay the sum of HK\$20,000,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor as deposit (the “Deposit”), and the Deposit shall be applied for part payment of the Consideration at Completion; (ii) the Purchaser and Yardley shall jointly and severally pay a further sum of HK\$26,500,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor for partial payment of the balance of the Consideration at Completion; and (iii) the remaining balance of the consideration in the sum of HK\$46,500,000 shall be settled and discharged by the Company’s issuance to the Vendor (or any nominee of the Vendor) (i) the convertible bonds A in the principal amount of HK\$23,000,000; and (ii) the convertible bonds B in the principal amount of HK\$23,500,000 at Completion.

The directors of the Company considered that the Deposit is capital contribution to JV Company and recognised as capital reserve in the statement of financial position of the JV Company.

Completion of the above transaction is subject to, among others, shareholders’ approval and the fulfilment of the conditions precedent set out in the Sale and Purchase Agreement.

For details, please refer to the announcements of the company dated 29 May 2015 and circular of the Company dated 27 July 2015.





**ii. Placing of new shares under general mandate**

On 15 June 2015, the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, and the placing agent has conditionally agreed to procure, on a best-effort basis, not less than six placees for the subscription of up to a maximum of 629,000,000 placing shares at the placing price of HK\$0.20 per placing share under the General Mandate.

The completion of the placing took place on 2 July 2015, where a total of 629,000,000 placing shares have been successfully placed by the placing agent to not fewer than six placees at the placing price of HK\$0.20 per placing share. The gross proceeds and net proceeds from the placing are approximately HK\$125.8 million and HK\$124.4 million respectively. The Company intends to utilise the net proceeds as to (i) approximately HK\$55.9 million for general working capital of the Group; and (ii) approximately HK\$68.5 million for future business development of the Group. Further details of the placing are set out in the announcements of the Company dated 16 June 2015 and 2 July 2015.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS OVERVIEW

During 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\$6,403,000 (six months ended 30 June 2014: HK\$10,203,000), representing a decrease of approximately 37.2% as compared with the last corresponding period.

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.

#### Trading of Ceramic Products

The trading of ceramic products has not generated any revenue for the Reporting Period (six months ended 30 June 2014: nil).

Due to the continuous slowdown of the domestic economic growth and decrease in the product demand, the Board decided to cease this business segment. The Group will re-allocate its manpower and resources for exploration of other business opportunities.

#### Property Investment

At 30 June 2015, the Group held properties in Hong Kong, the PRC and Taiwan for investment purpose amounted to approximately HK\$69,123,000 (31 December 2014: HK\$28,812,000).

During the Reporting Period, this business segment reported a revenue of approximately HK\$175,000 (six months ended 30 June 2014: HK\$78,000). Given increase in demand of the property market in Hong Kong, Taiwan and the PRC, the Board is confident that the rental income will continue to benefit from the growth trend.



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

During the Reporting Period, this business segment reported a revenue of approximately HK\$20,934,000 (six months ended 30 June 2014: HK\$2,244,000) representing an increase of approximately 833% as compared with the last corresponding period. 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, the trading of agricultural products segment generated revenue of approximately HK\$141,000 (six months ended 30 June 2014: HK\$199,000).

The Group continues its 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\$27,653,000 (six months ended 30 June 2014: HK\$12,724,000), representing an increase of approximately 117.3% as compared with the last corresponding period. This increase was mainly attributable to the increase in revenue generated from one-stop value chain services.

Cost of sales for the Reporting Period amounted to approximately HK\$25,635,000 (six months ended 30 June 2014: HK\$10,335,000), representing an increase of approximately 148.0% 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\$15,162,000 (six months ended 30 June 2014: HK\$16,698,000), representing a decrease of approximately 9.2% as compared with the last corresponding period. The decrease was mainly due to the effective cost control measures implemented by the management.



Finance costs for the Reporting Period was approximately HK\$1,430,000 (six months ended 30 June 2014: HK\$1,013,000), representing an increase of approximately 41.2% as compared with the last corresponding period. The increase was mainly due to the increase in effective interest expense on convertible bonds as compared with the last corresponding period and the interest paid for the secured bank loan.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$11,541,000 (six months ended 30 June 2014: HK\$12,612,000). As a result, the basic loss per share of the Company decreased from HK0.58 cent for the six months ended 30 June 2014 to HK0.39 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 30 June 2015, the bank balances and cash of the Group was approximately HK\$12,553,000 (31 December 2014: approximately HK\$36,995,000).

At 30 June 2015, the net assets of the Group was approximately HK\$159,986,000 (31 December 2014: HK\$135,046,000) and the net current assets was approximately HK\$55,209,000 (31 December 2014: HK\$60,044,000).

### **Gearing Ratio**

At 30 June 2015, the total liabilities of the Group amounted to approximately HK\$30,774,000 (31 December 2014: HK\$29,655,000). The liabilities are denominated in Hong Kong dollars, Renminbi and New Taiwan dollars.

At 30 June 2015, the Group had total assets of approximately HK\$190,760,000 (31 December 2014: HK\$164,701,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, decrease to 0.16 as at 30 June 2015 (31 December 2014: 0.18).

### **Segmental Information**

An analysis of the Group's performance for the Reporting Period by business segment is set out in note 4 to this report.



## Capital Structure

As at 30 June 2015, the issued ordinary share capital with an aggregate nominal value of HK\$72,933,301.20 is divided into 3,646,665,060 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 to not fewer than six placees 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\$57.7 million for general working capital of the Group (including as to approximately HK\$17.6 million for cost of goods sold, approximately HK\$10.1 million for salaries and allowance, approximately HK\$10.6 million for rents, rates and building management fee, and approximately HK\$19.4 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\$57.5 million for acquisition of investment properties and other investment opportunities; and (v) the remaining balance of approximately HK\$3.4 million for future general working capital 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.

***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 Investment Co., Ltd. ("Fujian Seton"), an indirect wholly-owned subsidiary of the Company 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) 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. 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 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 announcement dated 12 January 2015 and 27 April 2015.

### **Charges on Group's Assets**

As at 30 June 2015, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$10,436,000 (31 December 2014: nil).

### **Contingent Liabilities**

As at 30 June 2015, the Group did not have any material contingent liabilities (31 December 2014: nil).

### **Capital Commitments**

As at 30 June 2015, the Group had capital commitments in respect of the acquisition of investment properties amounting to HK\$4,625,000 (31 December 2014: HK\$21,768,000) and relation to issue of convertible bonds with principal amount of HK\$46,500,000 (31 December 2014: nil) for the acquisition of the entire interest in China Smart Asia Limited.



## **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**

### ***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.

Save as disclosed above, the Group did not process any significant investment, material acquisitions or disposal of subsidiaries or associated companies during the Reporting Period.



## **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.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2015, the Group had 32 full-time employees (31 December 2013: 33). Staff costs for the Reporting Period, including Directors' emoluments, were approximately HK\$3,535,000 (six months ended 30 June 2014: approximately HK\$3,933,000).

The Group decided the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.



## **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 June 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 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.

## **DIRECTORS' INTERESTS IN CONTRACTS**

No Director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any its subsidiaries was a party at any time during the Reporting Period.



## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 30 June 2015, 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	-	-	700,000,000 (Note 4)	19.20%
Sino Coronet Limited (Note 2)	Beneficial owner	-	-	700,000,000 (Note 4)	19.20%
Yardley Finance Limited (Note 3)	Beneficial owner	-	-	700,000,000	19.20%
Chan Kin Sun (Note 3)	Interest of controlled corporation	-	-	700,000,000	19.20%
Chinese Strategic Holdings Limited (Note 5)	Interest of controlled corporation	555,053,215	15.22%	-	-
Top Status International Limited (Note 5)	Beneficial owner	318,953,215	8.75%	-	-
International Chaoshang Investment Group Limited (Note 6)	Beneficial owner	217,190,000	5.96%	-	-
Huang Zhen Da (Note 6)	Interest of controlled corporation	217,190,000	5.96%	-	-



*Notes:*

1. As at 30 June 2015, the Company's issued ordinary share capital was HK\$72,933,301.20 divided into 3,646,665,060 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. Sino Coronet is holding convertible bonds in the principal amount of HK\$14,000,000 which can be converted into 700,000,000 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.

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 30 June 2015 as recorded in the register required to be kept by the Company under Section 336 of the SFO.



## **SHARE OPTION SCHEME**

The Company has adopted a new share option scheme on 6 May 2011 (the “Share Option Scheme”).

During the Reporting Period, there was no share option granted, exercised, cancelled or lapsed under the Share Option Scheme and there was no share option remained outstanding under the Share Option Scheme as at 30 June 2015.

## **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 close 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.

## **CORPORATE GOVERNANCE CODE**

The Company has complied with the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 15 of the GEM Listing Rules throughout the Reporting Period except for the following deviation:

Provision A.2.1 of the CG Code prescribed, among others, the roles of chairman of the Board and chief executive of the Company should be separate and should not be performed by the same individual. Throughout the Reporting Period, the Company did not appoint a chairman of the Board. The Board will keep reviewing the current structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post as appropriate.

## **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. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

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**  
**So David Tat Man**  
*Executive Director*

Hong Kong, 14 August 2015

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