中國農業生態有限公司

China Eco-Farming Limited

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

Third Quarterly Report 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.

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

This report will remain on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html and the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.

HIGHLIGHTS

Financial Highlights

The Company and its subsidiaries (collectively, the "Group") recorded an unaudited revenue (including continuing and discontinuing operations) of approximately HK$43,585,000 for the nine months ended 30 September 2015, representing an increase of approximately 38.4% as compared with approximately HK$31,486,000 for the last corresponding period.

During the nine months ended 30 September 2015, revenue attributable to continuing operations amounted to approximately HK$37,182,000 (nine months ended 30 September 2014: HK$15,250,000) whereas revenue attributable to discontinued operations amounted to approximately HK$6,403,000 (nine months ended 30 September 2014: HK$16,236,000).

The Group recorded a decrease in fair value of financial assets at fair value through profit or loss of totalling approximately HK$12,121,000 for the nine months ended 30 September 2015, representing a significant downturn as compared to an increase of approximately HK$746,000 for the last correspondent period.

The unaudited loss for the period attributable to owners of the Company for the nine months ended 30 September 2015 was approximately HK$38,138,000 (nine months ended 30 September 2014: HK$19,978,000). The basic loss per share of the Company for the nine months ended 30 September 2015 is HK1.12 cents (nine months ended 30 September 2014: HK0.86 cents).

The board of directors of the Company (the "Board") does not recommend any payment of interim dividend for the nine months ended 30 September 2015.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months and nine months ended 30 September 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 September		For the nine months ended 30 September	
		2015	2014	**2015**	2014
		$'000	*$'000*	***$'000***	*$'000*
			(Restated)		(Restated)
Continuing operations					
Revenue	*3*	**15,932**	12,729	**37,182**	15,250
Cost of sales		**(15,244)**	(12,526)	**(35,994)**	(14,915)
Gross profit		**688**	203	**1,188**	335
Other revenue	*3*	**384**	69	**1,009**	140
Administrative expenses		**(13,439)**	(6,394)	**(26,056)**	(18,774)
Finance costs	*4*	**(1,078)**	(710)	**(2,508)**	(1,723)
Loss on disposal of available-for-sale investment		**–**	(3)	**–**	(3)
Gain on disposal of financial assets at fair value through profit or loss		**–**	1	**3,006**	238
Share of results of associates		**(189)**	(516)	**(1,023)**	(269)
Gain on bargain purchase	*9*	**507**	–	**507**	1,431
Equity-settled share based payment expenses		**(1,447)**	–	**(1,447)**	–
(Decrease)/increase in fair value of financial assets at fair value through profit or loss		**(11,986)**	424	**(12,121)**	746
Loss before taxation		**(26,560)**	(6,926)	**(37,445)**	(17,879)
Taxation	*5*	**–**	–	**–**	–
Loss for the period from continuing operations		**(26,560)**	(6,926)	**(37,445)**	(17,879)
Discontinued operations					
Loss for the period from discontinued operations	*10*	**–**	(681)	**(1,013)**	(2,728)
Loss for the period		**(26,560)**	(7,607)	**(38,458)**	(20,607)

	Notes	For the three months ended 30 September 2015 $'000	2014 $'000 (Restated)	For the nine months ended 30 September 2015 $'000	2014 $'000 (Restated)
Loss for the period attributable to:					
– owners of the Company		**(26,585)**	(7,366)	**(38,138)**	(19,978)
– non-controlling interests		**25**	(241)	**(320)**	(629)
		(26,560)	(7,607)	**(38,458)**	(20,607)
Loss attributable to owners of the Company arising from:					
– continuing operations		**(26,585)**	(6,685)	**(37,125)**	(17,250)
– discontinued operations		**–**	(681)	**(1,013)**	(2,728)
		(26,585)	(7,366)	**(38,138)**	(19,978)
Loss per share from continuing and discontinued operations attributable to owners of the Company					
Basic and diluted *(HK cents)*	*7*				
– From continuing operations		**(0.61)**	(0.26)	**(1.09)**	(0.74)
– From discontinued operations		**–**	(0.03)	**(0.03)**	(0.12)
		(0.61)	(0.29)	**(1.12)**	(0.86)

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

(Expressed in Hong Kong dollars)

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	$'000	*$'000*	***$'000***	*$'000*
		(Restated)		(Restated)
Loss for the period	**(26,560)**	(7,607)	**(38,458)**	(20,607)
Other comprehensive loss:				
Items to be reclassified to profit or loss in subsequent periods				
Exchange differences arising on translation of foreign operations	**(37)**	(1)	**(35)**	(123)
Total comprehensive loss for the period	**(26,597)**	(7,608)	**(38,493)**	(20,730)
Attributable to:				
– Owners of the Company	**(26,599)**	(7,380)	**(38,167)**	(20,062)
– Non-controlling interests	**2**	(228)	**(326)**	(668)
	(26,597)	(7,608)	**(38,493)**	(20,730)
Total comprehensive loss attributable to owners of the Company for the period arising from:				
– Continuing operations	**(26,599)**	(6,699)	**(37,154)**	(17,334)
– Discontinued operations	**–**	(681)	**(1,013)**	(2,728)
	(26,599)	(7,380)	**(38,167)**	(20,062)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital *$'000*	**Share premium** *$'000*	**Equity component of convertible bonds** *$'000*	**Translation reserve** *$'000*	**Share options reserve** *$'000*	**Special reserve** *$'000*	**Capital contribution 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 for the period	–	–	–	–	–	–	–	(19,978)	(19,978)	(629)	(20,607)
Other comprehensive loss for the period: Exchange differences arising on translation of financial statements of foreign operations	–	–	–	(84)	–	–	–	–	(84)	(39)	(123)
Total comprehensive loss for the period	–	–	–	(84)	–	–	–	(19,978)	(20,062)	(668)	(20,730)
Issue of new shares	16,000	134,400	–	–	–	–	–	–	150,400	–	150,400
Transaction costs attributable to Issue of new shares	–	(4,502)	–	–	–	–	–	–	(4,502)	–	(4,502)
Issue of CB-II *(as defined in note 8)*	–	–	7,809	–	–	–	–	–	7,809	–	7,809
At 30 September 2014	51,177	175,627	37,460	(84)	–	6,026	–	(126,058)	144,148	(682)	143,466
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	–	–	–	–	–	–	–	(38,138)	(38,138)	(320)	(38,458)
Other comprehensive loss for the period: Exchange differences arising on translation of foreign operations	–	–	–	(29)	–	–	–	–	(29)	(6)	(35)
Total comprehensive loss for the period	–	–	–	(29)	–	–	–	(38,138)	(38,167)	(326)	(38,493)
Issue of new shares	13,836	124,648	–	–	–	–	–	–	138,484	–	138,484
Equity-settled share based transactions	–	–	–	–	1,447	–	–	–	1,447	–	1,447
Issue of shares upon conversion of convertible bonds *(note 8(a))*	24,500	–	(21,056)	–	–	–	–	–	3,444	–	3,444
Recognition of equity component of convertible bonds *(note 8(d))*	–	–	8,652	–	–	–	–	–	8,652	–	8,652
Capital contribution to the subsidiary	–	–	–	–	–	–	46,500	–	46,500	–	46,500
At 30 September 2015	89,513	300,275	24,918	(214)	1,447	6,026	46,500	(171,611)	296,854	(1,774)	295,080

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 (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 nine months ended 30 September 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. However, the business of health care services and trading of ceramic products had been ceased from 15 April 2015 and 30 June 2015, respectively *(see note 10)*.

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 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 nine months ended 30 September 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 period, 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 period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited 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 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited and restated)	**(Unaudited)**	(Unaudited and restated)
Continuing operations:				
Revenue:				
Rental income *(note)*	**435**	39	**610**	117
One-stop value chain services	**15,147**	9,753	**36,081**	11,997
Trading of agricultural products	**350**	2,937	**491**	3,136
	15,932	12,729	**37,182**	15,250
Other revenue	**384**	69	**1,009**	140
	16,316	12,798	**38,191**	15,390
Discontinued operations:				
Revenue:				
Health care services	**–**	6,033	**6,403**	16,236
Other revenue	**–**	8	**26**	22
	–	6,041	**6,429**	16,258
	16,316	18,839	**44,620**	31,648

Note:

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Gross rental income	**435**	39	**610**	117
Less: outgoings (included in cost of sales)	**(80)**	(19)	**(92)**	(64)
Net rental income	**355**	20	**518**	53

4. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Interest on bank loans	**51**	–	**98**	–
Effective interest expense on convertible bonds	**1,027**	710	**2,410**	1,629
Interest on loan from a former fellow subsidiary and a shareholder	**–**	–	**–**	94
	1,078	710	**2,508**	1,723

5. Taxation

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

6. Dividend

No dividend was paid or proposed for the nine months ended 30 September 2015, nor any dividend has been proposed since the end of the reporting period (2014: Nil).

7. 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 nine months ended 30 September 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 nine months ended 2015 and 2014.

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 **(Unaudited)**	2014 (Unaudited and restated)	**2015** **(Unaudited)**	2014 (Unaudited and restated)
From continuing operations:				
Unaudited loss attributable to owners of the Company *(HK$'000)*	**(26,585)**	(6,685)	**(37,125)**	(17,250)
Weighted average number of shares in issue	**4,377,523,756**	2,558,865,060	**3,408,361,763**	2,315,641,617
Basic loss per share *(HK cents per share)*	**0.61**	0.26	**1.09**	0.74
From discontinued operations:				
Unaudited loss attributable to owners of the Company *(HK$'000)*	**–**	(681)	**(1,013)**	(2,728)
Weighted average number of shares in issue	**4,377,523,756**	2,558,865,060	**3,408,361,763**	2,315,641,617
Basic loss per share *(HK cents per share)*	**–**	0.03	**0.03**	0.12

The computation of diluted loss per share for both the three months and nine months ended 30 September 2015 and 30 September 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 International Limited. The CB-I will be 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 nine months ended 30 September 2015, part of CB-I in the principal amount of HK$24,500,000 were converted into 1,225,000,000 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 (as defined in the Company's circular dated 19 February 2014 ("the Circular-I") 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 *(note)* 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 *(note)* new shares shall be issued.

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

As disclosed in the Circular-I, 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 *(note)*
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-I), 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-I), 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-I) (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-I), 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 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 part of the 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.

Note: On 2 July 2015, a placing of 629,000,000 new shares of the Company was completed and pursuant to the terms and conditions of the bond instrument of the CB-II, the conversion price was revised from HK$0.188 to HK$0.17. As a result, number of new shares to be issued upon exercise of conversion attaching to the CB-II was revised from 106,382,978 to 117,647,058.

(c) Convertible bonds III and Convertible bonds IV

On 28 May 2015, Skyline Top and Yardley Wealth Management Limited ("Yardley") became shareholders (the "JV Partners") of Delightful Hope Limited (the "JV Company") for the purpose of the proposed acquisition. The JV Company is owned as to 50% by each of the JV Partners. The directors of the Company considered the JV Company is the subsidiary of the Company in accordance with HKFRS10 *Consolidated Financial Statements.*

Upon formation of the JV Company, the JV Partners have agreed to make provision for the management and administration of the JV Company's affairs, and set out their respective obligations and rights on the terms and conditions set in the shareholders' agreement (the "Shareholders' Agreement").

On 29 May 2015, the Company, the JV Company, Yardley and Rich Best Asia Limited (the "Vendor") entered into the sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which (i) the Vendor has agreed to sell and the JV Company has agreed to purchase entire equity interest in China Smart Asia Limited ("China Smart"), a subsidiary of Chinese Strategic Holdings Limited ("Chinese Strategic"), which the shares of Chinese Strategic are listed on the GEM of the Stock Exchange; and (ii) the Vendor has agreed to assign the JV Company, and the JV Company has agreed to accept the assignment of sale loan at an aggregate consideration of HK$93,000,000, which shall be settled and discharged by the JV Company 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 JV Company 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 Company 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 ("CB-III") in the principal amount of HK$23,000,000; and (ii) the convertible bonds ("CB-IV") in the principal amount of HK$23,500,000 at completion.

Upon exercise of conversion rights attaching to the CB-III & CB-IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of CB-III & CB-IV as a part of the consideration took place on 20 August 2015.

Transaction costs directly attributable to issue of the CB-III & CB-IV amounted to approximately HK$347,000 and HK$355,000, respectively, are allocated to liability and equity components on initial recognition.

As disclosed in the Company's circular dated 27 July 2015 (the "Circular-II"), the principal terms of the CB-III & IV are as follows:

	CB-III	**CB-IV**
Principal amount	HK$23,000,000	HK$23,500,000
Authorised denomination	HK$500,000 each and integral multiples thereof	HK$500,000 each and integral multiples thereof
Conversion price	HK$0.25	HK$0.25
Interest	The Bond shall not bear any interest whatsoever	The Bond shall not bear any interest whatsoever
Maturity dates	31 March 2017	30 September 2018

Conversion

Each holder of the CB-III and CB-IV shall have the right, exercisable during the Conversion Period (as defined in the Circular-II) to convert the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the CB-III and CB-IV held by such holder of CB-III and CB-IV into such number of conversion shares as will be determined by dividing the principal amount of the CB-III and CB-IV to be converted by the conversion price in effect on the date of conversion. No fraction of a Share shall be issued on conversion of the CB-III and CB-IV. The Company shall pay a cash amount in HK$ equal to such amount of CB-III and CB-IV that are not converted.

Redemption

All CB-III and CB-IV which have not been redeemed or converted in accordance with the terms and conditions of the CB-III and CB-IV instruments by their maturity dates shall be redeemed by the Company on their maturity dates at a redemption amount equal to 100% of the principal amount of such CB-III and CB-IV.

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

(i) Liability component for the CB-III & CB-IV 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-III & CB-IV without conversion option, plus allocated transaction costs. The effective interest rate of the liability component for CB-III and CB-IV is 8.82% and 9.27%, respectively.

(ii) Equity component represents the difference between the fair values of the CB-III & CB-IV and the fair values assigned to the liability components less allocated transaction costs.

(d) Movements of the CB-I, CB-II, CB-III and CB-IV

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

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
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	(2,190)	–	(2,190)
Conversion of CB-I	(1,522)	(21,056)	(22,578)
Issue of CB-III	19,699	2,953	22,652
Issue of CB-IV	17,446	5,699	23,145
Effective interest expense	2,410	–	2,410
At 30 September 2015 (unaudited)	52,813	24,918	77,731

9. Acquisition of subsidiaries

(a) Acquisition of an asset in a subsidiary

Konson

As mentioned in the Circular dated 19 February 2014 (the "Circular-I") and note 8(b) to this report, Skyline Top acquired entire equity interest in Konson and accepted the assignment of the Sale Loan 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:

	HK$'000
Cash	20,000
CB-II	20,000
	40,000

Based on the relevant agreement, if the Property Investment Subsidiary fails to meet the Profit Guarantee (as defined in the Circular-I) by 31 December 2016, or shall the Profit Confirmation (as defined in the Circular-I) 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

	HK$'000
Consideration paid in cash	20,000
Less: cash and cash equivalent balances acquired	(330)
	19,670

(b) Acquisition of a subsidiary

China Smart Asia Limited ("China Smart")

On 20 August 2015, the JV Company, acquired entire equity interest of China Smart for the consideration of HK$93,000,000 (the "Acquisition"). The Acquisition has been accounted for using the acquisition method. Gain on bargain purchase of approximately HK$507,000 has been arisen as a result of the Acquisition. China Smart is principally engaged in investment holding. China Smart and its subsidiary (collectively referred to as the "China Smart Group") is principally engaged in properties investment in the PRC. Details are set out in the Circular-II.

Consideration transferred:

	HK$'000
Cash	46,500
Issue of CB-III and CB-IV *(note i)*	46,500
Total	93,000

The provisional fair values of the identifiable assets acquired and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Plant and equipment	689
Investment properties	121,010
Trade and other receivables	665
Bank balances and cash	707
Trade and other payables	(9,607)
Amount due to immediate holding company	(123,702)
Deferred tax liabilities	(19,957)
	(30,195)

Gain on bargain purchase arising on acquisition:

Consideration transferred	93,000
Less: fair value of net assets acquired:	
provisional fair value of net liabilities acquired	(30,195)
Add: amount due to immediate holding company *(note iii)*	123,702
	93,507
Gain on bargain purchase	(507)

Notes:

(i) In accordance with the Sale and Purchase Agreement, CB-III and CB-IV with principal amounts of HK$23,000,000 and HK$23,500,000 respectively were issued as part of the consideration. The aggregate fair value of the CB-III and CB-IV was HK$46,500,000 based on the valuation performed by Asset Appraisal Limited, the independent valuer, on the issuance date. Details of the CB-III and CB-IV have been disclosed in note 8(c).

(ii) Acquisition-related costs amounting to approximately HK$702,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within administrative expenses in the unaudited condensed consolidated statement of profit or loss.

(iii) In accordance with the Sale and Purchase Agreement, the amount due to immediate holding company of China Smart Group of approximately HK$123,702,000 as at 20 August 2015, the completion date, will be assigned to the Group at the date of the acquisition.

The Group is still in the process of assessing the final fair value of the total identifiable net assets acquired and liabilities recognised and therefore the gain on bargain purchase on acquisition may vary.

Net cash outflow on acquisition of China Smart Group

	HK$'000
Cash consideration paid	46,500
Less: Cash and cash equivalent balances acquired	(707)
	45,793

Included in the loss for the three months and nine months ended 30 September 2015 from continuing operations is a profit of approximately HK$394,000 attributable to the additional business generated by China Smart Group. Revenue for the three months and nine months ended 30 September 2015 from continuing operations includes HK$252,000 generated from China Smart Group.

Had the acquisition had been completed on 1 July 2015, total revenue of the Group for the three months ended 30 September 2015 would have been HK$16,428,000, and loss for the three months ended 30 September 2015 would have been HK$26,861,000. Had the acquisition had been completed on 1 January 2015, total revenue of the Group for the nine months ended 30 September 2015 would have been HK$38,749,000, and loss for the nine months ended 30 September 2015 would have been HK$50,047,000. The pro forma information is for illustrative purposes only and is not necessary an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July or 1 January 2015, nor is it intended to be a projection of future results.

10. 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.

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

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	**–**	6,033	**6,403**	16,236
Cost of sales	**–**	(4,585)	**(4,885)**	(12,531)
Gross profit	**–**	1,448	**1,518**	3,705
Other revenue	**–**	8	**26**	22
Administrative expenses	**–**	(2,137)	**(2,557)**	(6,455)
Loss before taxation	**–**	(681)	**(1,013)**	(2,728)
Taxation	**–**	–	**–**	–
Loss for the period	**–**	(681)	**(1,013)**	(2,728)

11. Event after the reporting period

(i) Subscription of shares under specific mandate and discloseable transaction on acquisition of 10% equity interest of Anhui Damingyuan Tourism Development Company Limited（安徽大明園旅遊發展股份有限公司）

On 19 August 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Sun Hui (the "Subscriber"), who is the ultimate beneficial owner of the Anhui Xingguang Investment Group Limited（安徽興光投資集團有限公司）("Anhui Xingguang"). Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the subscription completion date, in aggregate 250,000,000 subscription shares at a consideration of HK$37,500,000 at the subscription price of HK$0.15 per subscription share. The subscription shares shall be allotted and issued under specific mandate.

On the same date, Kingtop Asia Investment Limited ("Kingtop Asia"), a wholly-owned subsidiary of the Company, and Anhui Xingguang entered into a sale and purchase agreement pursuant to which the Anhui Xingguang has conditionally agreed to sell, and Kingtop Asia has conditionally agreed to purchase, the sale shares, representing 10% of the equity interest of Anhui Damingyuan Tourism Development Company Limited ("Anhui Damingyuan"). The consideration for the acquisition is RMB30,000,000 (equivalent to approximately HK$37,500,000), which shall be paid by Kingtop Asia by cash to Anhui Xingguang at acquisition completion.

Anhui Damingyuan is principally engaged in developing a 4A-level resort in Bengbu City Auhui Province, which is still under construction as at the date of this announcement and is expected to be completed by end of 2016.

A special general meeting has been convened and held for the shareholders to approve the issue of the subscription shares under the specific mandate on 28 October 2015 and the relevant resolution was duly passed.

For details, please refer to the announcements of the Company dated 19 August 2015 and 28 October 2015 and the circular of the Company dated 8 October 2015.

(ii) Acquisition of 70% of the entire issued share capital of YIHE Enterprise Holding Limited involving issue of consideration shares under general mandate

On 28 October 2015, Fantastic Alliance Investments Limited ("Fantastic Alliance"), a wholly-owned subsidiary of the Company, the Company and Hexin Limited ("Hexin") entered into a sale and purchase agreement, pursuant to which Hexin has agreed to sell, assign and transfer the sale shares to Fantastic Alliance, and Fantastic Alliance has agreed to purchase the sale shares from Hexin. The consideration for the acquisition is the sum of up to HK$68,544,000, which shall be settled and discharged by Fantastic Alliance procuring the Company to allot and issue the consideration shares at HK$0.168 per consideration share. The consideration shares will be issued and allotted under the general mandate approved by the shareholders of the Company on 28 October 2015.

Hexin is the sole and beneficial owner of the entire equity interest in YIHE Enterprise Holding Limited ("YIHE"), a company incorporated in the British Virgin Islands with limited liability, and YIHE is the sole legal and beneficial owner of the entire equity interest in Huge Famous Corporation Limited, a company incorporated in Hong Kong with limited liability. The principal business of Huge Famous Corporation Limited involves the rendering of marketing, logistic and product management and development services for 2 globally renowned brands in Hong Kong, namely, Mengniu（蒙牛）and Jinlongyu（金龍魚）.

As at the date of this report, the acquisition has not been completed.

Further details of this acquisition are set out in the announcement of the Company dated 28 October 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the nine months ended 30 September 2015 (the "Reporting Period"), the Group was 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 (nine months ended 30 September 2014: HK$16,236,000), representing a decrease of approximately 60.6% 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 nine months ended 30 September 2015 and 2014.

Due to the continuous slowdown of the domestic economic growth and decrease in the product demand, the Board decided to cease this business segment with effect from 30 June 2015. The Group will re-allocate its manpower and resources for exploration of other business opportunities.

Property Investment

During the Reporting Period, this business segment reported a revenue of approximately HK$610,000 (nine months ended 30 September 2014: HK$117,000). At 30 September 2015, the Group held properties in the PRC, Taiwan and Hong Kong for investment purpose amounted to approximately HK$196,729,000 (31 December 2014: HK$28,812,000). Given increase in demand of the property market in the PRC and Taiwan, the Board is confident that the rental income will benefit from the growth trend.

One-stop Value Chain Services

During the Reporting Period, this business segment reported a revenue of approximately HK$36,081,000 (nine months ended 30 September 2014: HK$11,997,000) representing an increase of 200.8%, as compared with the last corresponding period. The increase in revenue was mainly attributable to the increased marketing efforts of the Company, resulting in expanding the variety of products. The Group is positive about further development of this business segment and bigger contribution in revenue in the future.

Trading of Agricultural Products

During the Reporting Period, this business segment reported a revenue of approximately HK$491,000 (nine months ended 30 September 2014: HK$3,136,000).

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 (including continuing and discontinuing operations) of approximately HK$43,585,000 (nine months ended 30 September 2014: HK$31,486,000), representing an increase of approximately 38.4% 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 (including continuing and discontinuing operations) for the Reporting Period amounted to approximately HK$40,879,000 (nine months ended 30 September 2014: HK$27,446,000), representing an increase of approximately 48.9% as compared with the last corresponding period. This increase was due to change of product mix of the Company's business portfolio during the Reporting Period.

Administrative expenses (including continuing and discontinuing operation) for the Reporting Period amounted to approximately HK$28,601,000 (nine months ended 30 September 2014: HK$25,229,000), representing an increase of approximately 13.4% as compared with the last corresponding period. This increase was mainly due to development and expansion of new business.

Finance costs for the Reporting Period was approximately HK$2,508,000 (nine months ended 30 September 2014: HK$1,723,000), representing an increase of approximately 45.6% as compared with the last corresponding period. The increase was mainly due to increase in effective interest expense on convertible bonds as compared with the last corresponding period 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$38,138,000 (nine months ended 30 September 2014: HK$19,978,000). The basic loss per share of the Company for the Reporting Period is HK1.12 cents (nine months ended 30 September 2014: HK0.86 cent).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 September 2015, the bank balances and cash of the Group was approximately HK$73,146,000 (31 December 2014: approximately HK$12,553,000).

At 30 September 2015, the net assets of the Group was approximately HK$295,080,000 (31 December 2014: HK$135,046,000) and the net current assets was approximately HK$120,980,000 (31 December 2014: HK$60,044,000).

Capital Structure

As at 30 September 2015, the issued ordinary share capital with an aggregate nominal value of HK$89,513,301.20 is divided into 4,475,665,060 shares of HK$0.02 each (the "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$58.8 million for general working capital of the Group (including as to approximately HK$17.6 million for cost of goods sold, approximately HK$10.6 million for salaries and allowance, approximately HK$11.2 million for rents, rates and building management fee, and approximately HK$19.4 million for other operating expenses); (iii) approximately HK$6.5 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$0.2 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$2.2 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 II 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 *(note)* 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 *(note)* 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.

Note: On 2 July 2015, a placing of 629,000,000 new shares of the Company was completed and pursuant to the terms and conditions of the bond instruments of the Convertible Bonds, the conversion price was revised from HK$0.188 to HK$0.17. As a result, number of new shares to be issued upon exercise of conversion attaching to the Convertible Bonds was revised from 106,382,978 to 117,647,058.

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 placees. 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 ("Mr. Cheung") entered into a 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 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 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.

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 net proceeds from the placing was used as to (i) approximately HK$18.6 million for general working capital of the Group; and (ii) approximately HK$43.4 million for future business development of the Group. Remaining balance of approximately HK$62.4 million will be used as to approximately HK$37.3 million for general working capital of the Group and approximately HK$25.1 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.

Issue of Convertible Bonds III & IV as a consideration of an acquisition

On 28 May 2015, Skyline Top Limited and Yardley Wealth Management Limited ("Yardley") became shareholders (the "JV Partners") of Delightful Hope Limited (the "JV Company") for the purpose of the proposed acquisition. The JV Company is owned as to 50% by each of the JV Partners. The directors of the Company considered the JV Company is the subsidiary of the Company in accordance with HKFRS10 *Consolidated Financial Statement*.

Upon formation of JV Company, the JV Partners have agreed to make provision for the management and administration of the JV Company's affairs, and set out their respective obligations and rights on the terms and conditions set in the shareholders' agreement (the "Shareholders' Agreement").

On 29 May 2015, the Company, the JV Company, Yardley and Rich Best Asia Limited (the "Vendor") entered into the sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which (i) the Vendor has agreed to sell and the JV Company has agreed to purchase entire equity interest in China Smart Asia Limited, a subsidiary of Chinese Strategic Holdings Limited ("Chinese Strategic"), which the shares of Chinese Strategic are listed on the GEM of the Stock Exchange; and (ii) the Vendor has agreed to assign the JV Company, and the JV Company has agreed to accept the assignment of sale loan at an aggregate consideration of HK$93,000,000, which shall be settled and discharged by the JV Company 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 JV Company 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 Company 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 ("CB-III") in the principal amount of HK$23,000,000; and (ii) the convertible bonds ("CB-IV") in the principal amount of HK$23,500,000 at completion.

Upon exercise of conversion rights attaching to the CB-III & CB-IV, 186,000,000 new shares shall be issued.

The completion of the acquisition involving the issue of CB-III & CB-IV as a part of the consideration took place on 20 August 2015.

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 29 July 2015, 20 August 2015 and the circular of the Company dated 27 July 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. However, the management monitors the foreign exchange exposure regularly and will consider hedging significant foreign currency exposure should the need arises.

Significant Investments and Acquisitions

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. (承望投資咨詢(深圳)有限公司), a company of limited liability established in the PRC and is wholly-owned subsidiary of the Company (the "Purchaser"), and Mr. Tsoi Man Po ("Mr. Tsoi") entered into the sale and purchase agreement pursuant to which the Purchaser agreed to acquire and Mr. Tsoi 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 Mr. Tsoi 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 Mr. Tsoi entered into the Second Sale and Purchase Agreement pursuant to which the Purchaser agreed to acquire and Mr. Tsoi agreed to sell the Shenzhen Property at a consideration of RMB6,200,000 (equivalent to approximately HK$7,750,000). Completion of acquisition took place on 2 September 2015.

Further details of this acquisition are set out in the announcements of the Company dated 24 December 2014, 21 April 2015 and 2 September 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.

Event after the Reporting Period

(i) Subscription of shares under specific mandate and discloseable transaction on acquisition of 10% equity interest of Anhui Damingyuan Tourism Development Company Limited（安徽大明園旅遊發展股份有限公司）

On 19 August 2015, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Sun Hui (the "Subscriber"), who is the ultimate beneficial owner of the Anhui Xingguang Investment Group Limited（安徽興光投資集團有限公司）("Anhui Xingguang"). Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue, on the subscription completion date, in aggregate 250,000,000 subscription shares at a consideration of HK$37,500,000 at the subscription price of HK$0.15 per subscription share. The subscription shares shall be allotted and issued under specific mandate.

On the same date, Kingtop Asia Investment Limited ("Kingtop Asia"), a wholly-owned subsidiary of the Company, and Anhui Xingguang entered into a sale and purchase agreement pursuant to which Anhui Xingguang has conditionally agreed to sell, and Kingtop Asia has conditionally agreed to purchase, the sale shares, representing 10% of the equity interest of Anhui Damingyuan Tourism Development Company Limited ("Anhui Damingyuan"). The consideration for the acquisition is RMB30,000,000 (equivalent to approximately HK$37,500,000), which shall be paid by Kingtop Asia by cash to Anhui Xingguang at acquisition completion.

Anhui Damingyuan is principally engaged in developing a 4A-level resort in Bengbu City Auhui Province, which is still under construction as at the date of this announcement and is expected to be completed by end of 2016.

A special general meeting has been convened and held for the shareholders to approve the issue of the subscription shares under the specific mandate on 28 October 2015 and the relevant resolution was duly passed.

For details, please refer to the announcements of the company dated 19 August 2015 and 28 October 2015 and the circular of the Company dated 8 October 2015.

(ii) Acquisition of 70% of the entire issued share capital of YIHE Enterprise Holding Limited involving issue of consideration shares under general mandate

On 28 October 2015, Fantastic Alliance Investments Limited ("Fantastic Alliance"), a wholly-owned subsidiary of the Company, the Company and Hexin Limited ("Hexin") entered into a sale and purchase agreement, pursuant to which Hexin has agreed to sell, assign and transfer the sale shares to Fantastic Alliance, and Fantastic Alliance has agreed to purchase the sale shares from Hexin. The consideration for the acquisition is the sum of up to HK$68,544,000, which shall be settled and discharged by Fantastic Alliance procuring the Company to allot and issue the consideration shares at HK$0.168 per Consideration Share. The consideration shares will be issued and allotted under the general mandate approved by the shareholders of the Company on 28 October 2015.

Hexin is the sole and beneficial owner of the entire equity interest in YIHE Enterprise Holding Limited ("YIHE"), a company incorporated in the BVI with limited liability, and YIHE is the sole legal and beneficial owner of the entire equity interest in Huge Famous Corporation Limited, a company incorporated in Hong Kong with limited liability. The principal business of Huge Famous Corporation Limited involves the rendering of marketing, logistic and product management and development services for 2 globally renowned brands in Hong Kong, namely, Mengniu（蒙牛）and Jinlongyu（金龍魚）.

As at the date of this report, the acquisition has not been completed.

Further details of this acquisition are set out in the announcement of the Company dated 28 October 2015.

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 the PRC, the Group is optimistic in the overall property market and shall expand its investment portfolio should suitable opportunities arise in this area.

Through the acquisition of a stake in Anhui Damingyuan Tourism Development Company Limited, the Group is in a position to tap into the heritage tourism industry in the PRC. The acquisition also serves as a foundation and platform in favour of the Group's ongoing business partnerships with the vendor and exploration of further cooperation opportunities.

The management shall continue to actively look for new business opportunities with a view to optimise 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 AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2015, the interests and short positions of the Directors or the chief executive of the Company 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, were as follows:

Long position in the underlying shares in respect of the share options of the Company (which were regarded as unlisted physically settled equity derivatives) granted under the share option scheme adopted by the Company on 6 May 2011:

Name	Capacity	Number of shares of the Company subject to options granted	Approximate percentage of the Company's total issued share capital
So David Tat Man	Beneficial interest	42,750,000	0.96%
Lai Yick Fung	Beneficial interest	10,000,000	0.22%
Ng Cheuk Fan, Keith	Beneficial interest	4,000,000	0.09%
Yick Ting Fai, Jeffrey	Beneficial interest	4,000,000	0.09%
Zhang Min	Beneficial interest	4,000,000	0.09%

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

Save as disclosed under the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, at no time during the Reporting Period, there subsisted arrangements to which the Company or any of its subsidiaries is a party, being arrangements whose subjects are, or one of whose objects is, to enable any of the directors or the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of the Company or any other body corporate, and none of the directors of the Company, their spouse or their children under the age of 18, had any right to subscribe for the securities of the Company during the Reporting Period.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware of and having made due enquiries, as at 30 September 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 of shareholders	Number of shares of the Company (Corporate Interests)	Number of underlying shares of the Company	Total	Approximate percentage of the issued share capital *(Note 1)*
So Chi Yuk *(Note 2)*	–	500,000,000 *(Note 2)*	500,000,000	11.17%
Sino Coronet Limited *(Note 2)*	–	500,000,000 *(Note 2)*	500,000,000	11.17%
Yardley Finance Limited *(Note 3)*	–	500,000,000 *(Note 3)*	500,000,000	11.17%

Name of shareholders	Number of shares of the Company (Corporate Interests)	Number of underlying shares of the Company	Total	Approximate percentage of the issued share capital *(Note 1)*
Chan Kin Sun *(Note 3)*	–	500,000,000 *(Note 3)*	500,000,000	11.17%
Chinese Strategic Holdings Limited *(Note 4)*	369,053,215 *(Note 4)*	186,000,000 *(Note 5)*	555,053,215	12.40%
Rich Best Asia Limited *(Note 4)*	369,053,215 *(Note 4)*	186,000,000 *(Note 5)*	555,053,215	12.40%
Top Status International Limited *(Note 4)*	318,953,215 *(Note 4)*	–	318,953,215	7.13%

Notes:

1. As at 30 September 2015, the Company's issued ordinary share capital was HK$89,513,301.20 divided into 4,475,665,060 Shares of HK$0.02 each.

2. Sino Coronet Limited ("Sino Coronet"), a company incorporated in the British Virgin Islands with limited liability, is holding convertible bonds (the "First CB") in the principal amount of HK$10,000,000 which can be converted into 500,000,000 new shares of the Company at conversion price of HK$0.02 per share. Since Sino Coronet is wholly owned by So Chi Yuk, So Chi Yuk was deemed to be interested in the First CB.

3. The First CB was pledged to Yardley Finance Limited ("Yardley Finance"), a company incorporated in Hong Kong with limited liability. Since Yardley Finance is wholly-owned by Chan Kin Sun, Chan Kin Sun was deemed to be interested in the First CB.

4. Top Status International Limited ("Top Status"), a company incorporated in the British Virgin Islands with limited liability, is wholly-owned by Rich Best Asia Limited ("Rich Best"), a company incorporated in the British Virgin Islands. Rich Best is in turn wholly-owned by Chinese Strategic Holdings Limited ("Chinese Strategic"), the issued shares of which are listed on the GEM of the Stock Exchange. As at 30 September 2015, of the 369,053,215 shares, 318,953,215 shares were held by Top Status, 49,000,000 shares were held by Fameway Finance Limited (wholly-owned by Rich Best) and 1,100,000 shares were held by Winner Performance Limited (wholly-owned by Rich Best). As such, both Chinese Strategic and Rich Best were deemed to be interested in 369,053,215 shares.

5. Rich Best is holding convertible bonds (the "Second CB") in the principal amount of HK$46,500,000 which can be converted into 186,000,000 new shares of the Company at conversion price of HK$0.25 per share. Since Rich Best is wholly owned by Chinese Strategic, Chinese Strategic was deemed to be interested in the Second CB.

Save as disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 30 September 2015 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 May 2011 (the "Share Option Scheme"). During the Reporting Period, options for 64,750,000 Shares were granted by the Company and accepted by the grantees pursuant to the Share Option Scheme. During the Reporting Period, none of options were exercised or lapsed. As at 30 September 2015, options for 64,750,000 Shares remained outstanding.

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, 12 November 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.