



中國農業生態有限公司
China Eco-Farming Limited

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



First Quarterly Report

2016

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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\$17,830,000 for the three months ended 31 March 2016, representing an increase of approximately 6.5% as compared with approximately HK\$16,739,000 for the corresponding period in 2015.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2016 was approximately HK\$11,317,000 (three months ended 31 March 2015: HK\$7,747,000). The basic loss per share of the Company for the three months ended 31 March 2016 was HK0.25 cents (three months ended 31 March 2015: HK0.29 cents).

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2016.



UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2016 together with the comparative figures for the corresponding period in 2015.

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

(Expressed in Hong Kong dollars)

		For the three months ended 31 March	
	<i>NOTES</i>	2016 \$'000	2015 \$'000
Revenue	3	17,830	16,739
Cost of sales		(16,350)	(15,179)
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Gross profit		1,480	1,560
Other revenue	3	1,380	315
Administrative expenses		(10,942)	(8,412)
Share of result of associates		(345)	(706)
Finance costs	4	(1,615)	(731)
(Decrease)/Increase in fair value of financial asset at fair value through profit or loss		(3,398)	34
Loss on disposal of financial asset at fair value through profit or loss		-	(20)
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Loss before taxation		(13,440)	(7,960)
Taxation	5	1,508	-
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Loss for the period		(11,932)	(7,960)

		For the three months ended 31 March	
	<i>NOTES</i>	2016 \$'000	2015 \$'000
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operation and other comprehensive income for the period		3	28
Total comprehensive expense for the period		(11,929)	(7,932)
Loss for the period attributable to:			
Owners of the Company		(11,317)	(7,747)
Non-controlling interests		(615)	(213)
		(11,932)	(7,960)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(11,191)	(7,727)
Non-controlling interests		(738)	(205)
		(11,929)	(7,932)
Loss per share	7		
Basic and diluted (<i>HK cents</i>)		(0.25)	(0.29)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2016 (Expressed in Hong Kong dollars)*

	Share capital \$'000	Share premium \$'000	Equity component of convertible bonds \$'000	Share option reserve \$'000	Translation reserve \$'000	Special reserve \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interests \$'000	Total \$'000
At 1 January 2015	51,177	175,627	37,322	-	(185)	6,026	(133,473)	136,494	(1,448)	135,046
Loss for the period	-	-	-	-	-	-	(7,747)	(7,747)	(213)	(7,960)
Other comprehensive income for the period:										
Exchange difference on translation of foreign operation	-	-	-	-	20	-	-	20	8	28
Total comprehensive expense for the period	-	-	-	-	20	-	(7,747)	(7,727)	(205)	(7,932)
Issue of shares upon conversion of convertible bonds	8,500	-	(7,305)	-	-	-	-	1,195	-	1,195
At 31 March 2015	59,677	175,627	30,017	-	(165)	6,026	(141,220)	129,962	(1,653)	128,309
At 1 January 2016	90,574	304,528	24,918	2,300	(8,029)	6,026	(192,687)	227,630	46,235	273,865
Loss for the period	-	-	-	-	-	-	(11,317)	(11,317)	(615)	(11,932)
Other comprehensive income for the period:										
Exchange difference arising on translating foreign operation	-	-	-	-	126	-	-	126	(123)	3
Total comprehensive expense for the period	-	-	-	-	126	-	(11,317)	(11,191)	(738)	(11,929)
Recognition of equity-settled share based payments	-	-	-	852	-	-	-	852	-	852
At 31 March 2016	90,574	304,528	24,918	3,152	(7,903)	6,026	(204,004)	217,291	45,497	262,788

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operation

China Eco-Farming Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 30 November 2000.

The shares of the Company have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited since 5 February 2002.

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

The addresses of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is 25/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company or parent company of the Company.

During the three months ended 31 March 2016, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of one-stop value chain services, property investment, trading of consumables and agricultural products, trading of grocery food products and provision of money lending service which was commenced in late March 2016. During the three months ended 31 March 2015, the Group was also engaged in the health care services and trading of ceramic products which were discontinued during the year ended 31 December 2015.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Group.



2. Principal accounting policies and basis of preparation

The unaudited condensed financial information has been prepared in accordance with the applicable disclosure provisions of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with the accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed financial results have been prepared on the historical cost basis except for the investment properties and certain financial instruments that are measured at fair values.

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the three months ended 31 March 2016 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2015 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

HKFRS 9 (2014)	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹

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

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective date not yet been determined.

The adoption of the above New HKFRSs in the current period has had no material impact on the accounting policies of the Group and the methods of computation in the Group's unaudited condensed consolidated financial statements.

The Group has not applied any New HKFRSs that have been issued but are not yet effective for the current accounting period.

3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the period is as follows:

	For the three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue:		
One-stop value chain services	13,257	11,162
Rental income (<i>note</i>)	912	39
Trading of grocery food products	3,097	–
Trading of consumables and agricultural products	564	4
Health care services	–	5,534
	17,830	16,739
Other revenue	1,380	315
	19,210	17,054

Note:

	For the three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Gross rental income	912	39
Less: outgoings (included in cost of sales)	(189)	(6)
Net rental income	723	33

4. Finance costs

	For the three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest on bank borrowing	43	–
Effective interest expense on convertible bonds	1,572	731
	1,615	731

5. Taxation

	For the three months ended 31 March	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current tax	–	–
Deferred tax	(1,508)	–
	(1,508)	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2016 and 2015. No Hong Kong Profits Tax is provided for both periods as the Group did not have any assessable profit subject to Hong Kong Profits Tax for both periods.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No EIT is provided for both periods as the Group did not derive any assessable profit subject to EIT.

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

6. Dividend

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2016 (2015: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2016 and 2015 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$11,317,000 (2015: HK\$7,747,000) and the weighted average of 4,528,705,060 (2015: 2,680,809,504) ordinary shares of HK\$0.02 each in issue during the three months ended 31 March 2016.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2016 and 31 March 2015. The computation of diluted loss per share does not assume the conversion/exercise of Company's outstanding convertible bonds and options to subscribe for additional shares since their conversion/exercise would result in an anti-dilutive effect on the basic loss per share.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the three months ended 31 March 2016 (the "Reporting Period"), the Group has been principally engaged in the business of one-stop value chain services, property investment, trading of grocery food products, trading of consumables and agricultural products and provision of money lending service which was commenced in late March 2016. During the year ended 31 December 2015, the Group discontinued business segments of the health care services and trading of ceramic products.

One-stop Value Chain Services

During the Reporting Period, the one-stop value chain business of the Group generated a revenue of approximately HK\$13,257,000 (three months ended 31 March 2015: HK\$11,162,000), representing an increase of approximately 18.8% 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.

Property Investment

At 31 March 2016, the Group held properties in the People's Republic of China ("PRC"), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$190,070,000 (31 December 2015: HK\$201,360,000).

During the Reporting Period, this business segment reported a revenue of approximately HK\$912,000 (three months ended 31 March 2015: HK\$39,000).

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



Trading of Grocery Food Products

The Group's trading of grocery food products segment which commenced in December 2015 consisted of distribution (i) in the catering channel in Hong Kong for "Mengniu" liquid milk and pasteurized dairy products, including but not limited to pure milk, low fat high calcium milk, "Milk Deluxe", "Fruit Milk Drink", and "Yoyi C" under the "Mengniu" brand; and (ii) in peanut oil, corn oil and canola oil under the "Jinlongyu" brand via supermarkets, convenience stores and small-scale stores in Hong Kong.

As disclosed in the Company's announcement dated 4 February 2016, the Group expanded its trading of grocery food products by forming a strategic alliance with Chan Kee Holdings Limited ("Chan Kee"), and Chan Kee is the owner of brand name/trade name and goodwill of "Nittin" and "日丁" which specialises in the distribution and sale of various products being ramen and udon products.

During the Reporting Period, this segment reported a revenue of approximately HK\$3,097,000. The Group is further building up its sales and marketing force with a view to deeper penetration into the dedicated markets. Given the fame of the brands and quality of the products, the Group expects to demonstrate growth momentum in this business segment.

Trading of Consumables and Agricultural Products

During the Reporting Period, the trading of consumables and agricultural products segment generated a revenue of approximately HK\$564,000 (three months ended 31 March 2015: HK\$4,000).

The competition in this business segment is still very keen and the Group is cautious in its development and will compare its profitability with other business opportunities carefully.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$17,830,000 (three months ended 31 March 2015: approximately HK\$16,739,000), representing an increase of approximately 6.5% as compared with the last corresponding period. The increase was mainly attributable to the increase in revenue generated from the one-stop value chain services and trading of grocery food products, though partly offset by the effect of cessation of health care services during the year ended 31 December 2015.



Cost of sales for the Reporting Period amounted to approximately HK\$16,350,000 (three months ended 31 March 2015: approximately HK\$15,179,000), representing an increase of approximately 7.7% 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\$10,942,000 (three months ended 31 March 2015: approximately HK\$8,412,000), representing an increase of approximately 30.0% as compared with the last corresponding period. This increase was mainly due to development and expansion of new business.

Finance costs for the Reporting Period was approximately HK\$1,615,000 (three months ended 31 March 2015: approximately HK\$731,000), representing an increase of approximately 120.9% as compared with the last corresponding period. The increase was mainly due to the increase in effective interest expenses 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\$11,317,000 (three months ended 31 March 2015: approximately HK\$7,747,000). The basic loss per share of the Company was decreased from HK0.29 cents for the three months ended 31 March 2015 to HK0.25 cents 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 borrowing. At 31 March 2016, the cash and cash equivalents of the Group was approximately HK\$28,244,000 (31 December 2015: approximately HK\$36,871,000).

At 31 March 2016, the net assets of the Group was approximately HK\$262,788,000 (31 December 2015: HK\$273,865,000) and the net current assets was approximately HK\$82,861,000 (31 December 2015: approximately HK\$93,758,000).

Capital Structure

As at 31 March 2016, the Company's issued ordinary share capital was HK\$90,574,101.20 divided into 4,528,705,060 ordinary shares of HK\$0.02 each ("Share(s)") (31 December 2015: HK\$90,574,101.20 divided into 4,528,705,060 Shares).

Fund Raising Activities

Placing of new 800,000,000 shares under specific mandate – completed

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 less than six placees at a placing price of HK\$0.188 per placing share, to be allotted and issued under specific mandate.

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\$60.4 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\$12.8 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\$0.6 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 ("Convertible Bonds II") at the conversion price of HK\$0.17 (*note*) per conversion share by the Company to Mr. So Pan upon completion.

Upon exercise of conversion rights attaching to the Convertible Bonds II, 117,647,058 (*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 under general mandate - lapsed

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 did 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. (福建尚同投資有限公司) (“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 announcements dated 12 January 2015 and 27 April 2015.

Placing of new shares under general mandate - completed

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 less than six placees at the placing price of HK\$0.20 per placing share. The gross proceeds from the placing were approximately HK\$125.8 million and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$124.4 million. The net proceeds from the placing was used as to (i) approximately HK\$51.9 million for general working capital of the Group; and (ii) approximately HK\$68.5 million for future business development of the Group. Remaining balance of approximately HK\$4.0 million will be used for general working capital 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.

On 25 April 2016, 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 places for the subscription of up to a maximum of 420,000,000 placing shares at the placing price of HK\$0.10 per placing share under the general mandate.

The completion of the placing took place on 3 May 2016, where a total of 420,000,000 placing shares have been successfully placed by the placing agent to not less than six places at the placing price of HK\$0.10 per placing share. The gross proceeds from the placing were approximately HK\$42.0 million and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$41.5 million. The net proceeds from the placing was used as to general working capital of the Group. Further details of the placing are set out in the announcements of the Company dated 25 April 2016 and 3 May 2016.

Issue of Convertible Bond III & Convertible Bond 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 (stock code: 8089); 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 JV

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 ("Convertible Bond-III") in the principal amount of HK\$23,000,000; and (ii) the convertible bonds ("Convertible Bond-IV") in the principal amount of HK\$23,500,000 at completion.

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

The completion of the acquisition involving the issue of Convertible Bond-III & Convertible Bond-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 May 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 either 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, Acquisitions and Disposal

Formation of Right Ocean Asia Limited

On 4 February 2016, Maxford Wealth Limited ("Maxford Wealth"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with (i) the non-controlling shareholder (the "Shareholder") of Right Ocean Asia Limited ("Right Ocean"), an indirect non-wholly owned subsidiary of the Company established after year end date, (ii) spouse of the Shareholder as a guarantor and (iii) Right Ocean, in which the Shareholder shall procure Chan Kee to enter into (i) the sole distributorship agreement for the sole and exclusive distributorship to Right Ocean for the sale and distribution of the food products in Hong Kong, Macau and Taiwan; and (ii) trademark licence agreement with the Company by which a licence will be granted to the Company to utilise the trademark for the purpose of distribution and sale of the food products in Hong Kong, Macau and Taiwan.

In the meantime, a shareholder loan agreement was entered between Maxford Wealth and Right Ocean, pursuant to which Maxford Wealth has agreed to lend a loan of HK\$11,000,000 to Right Ocean, with a fixed interest rate of 5% per annum and repayable on demand.



Another loan agreement was entered between Right Ocean and Chan Kee, pursuant to which Right Ocean has agreed to lend a loan of HK\$6,000,000 to the trademark owner, Chan Kee, with the Shareholder and spouse of the Shareholder as guarantors, an interest rate of 7% per annum, repayable within 36 months after drawdown for business operation.

Completion of the above transactions took place on 4 February 2016. Further details of the formation of Right Ocean, the sole distributorship agreement, trademark licence agreement and loan agreements are set out in the announcement of the Company dated 4 February 2016.

Disposal of property in Shenzhen

On 7 December 2015, Chengwang Investment Consulting (Shenzhen) Co., Ltd. (承望投資諮詢(深圳)有限公司), a company of limited liability established in the PRC and a wholly-owned subsidiary of the Company ("Chengwang"), as vendor and Mr. Mai Jian Xun ("Mr. Mai") as purchaser entered into a sale and purchase agreement pursuant to which Mr. Mai agreed to acquire and Chengwang agreed to sell a property situated at Shenzhen at a consideration of RMB9,700,000 (equivalent to approximately HK\$11,408,000). Completion of disposal took place on 18 January 2016.

OUTLOOK

During the Reporting Period, the Group continued to reshuffle its resources to develop identified business segments. While the provision of one-stop value chain services was still the key revenue source, the Group placed significant emphasis on the trading of grocery food products segment. Its success hinges on the building of strong sales and marketing team and the diversity of marketing campaigns, resting upon the quality and receptivity of products.

As at the end of the Reporting Period, the Group had expanded its investment properties portfolio to approximately HK\$190,070,000. Given the relatively stable properties markets in the overall Greater China Region, the Group's expansion plan towards its investment properties portfolio shall become prudent. The main focus is to enhance the rental yield of the Group's existing portfolio.

The equity market had been undergoing ups and downs during the past one year or so, thus adding some uncertainties on the effect on the Group's income statement. Following the gradual stabilisation of economies of the United States and the PRC, it is expected that the equity market can reflect the same and the Group can capture positive returns on its investments in the trading securities.

The Group continues to actively identify investment opportunities and will select projects which align with the Group's investment strategy and with the ultimate goal of maximising the shareholders' wealth.

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 31 March 2016, 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 Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the 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	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2016
So David Tat Man	13 July 2015	0.212	14 July 2015 – 13 July 2016	8,550,000	-	-	-	8,550,000
			14 July 2016 – 13 July 2017	12,825,000	-	-	-	12,825,000
			14 July 2017 – 13 July 2018	21,375,000	-	-	-	21,375,000
Lai Yick Fung	13 July 2015	0.212	14 July 2015 – 13 July 2016	2,000,000	-	-	-	2,000,000
			14 July 2016 – 13 July 2017	3,000,000	-	-	-	3,000,000
			14 July 2017 – 13 July 2018	5,000,000	-	-	-	5,000,000
Ng Cheuk Fan, Keith	13 July 2015	0.212	14 July 2015 – 13 July 2016	800,000	-	-	-	800,000
			14 July 2016 – 13 July 2017	1,200,000	-	-	-	1,200,000
			14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000
Yick Ting Fai, Jeffrey	13 July 2015	0.212	14 July 2015 – 13 July 2016	800,000	-	-	-	800,000
			14 July 2016 – 13 July 2017	1,200,000	-	-	-	1,200,000
			14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000
Zhang Min	13 July 2015	0.212	14 July 2015 – 13 July 2016	800,000	-	-	-	800,000
			14 July 2016 – 13 July 2017	1,200,000	-	-	-	1,200,000
			14 July 2017 – 13 July 2018	2,000,000	-	-	-	2,000,000

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

Save for disclosed under the section "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS" above, 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 31 March 2016, the following parties, other than the Directors or chief executive of the Company, had interests or short positions directly or indirectly in the shares or underlying shares of the Company disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company:

Name 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	11.04%
Sino Coronet Limited (Note 2)	–	500,000,000 (Note 2)	500,000,000	11.04%
Yardley Finance Limited (Note 3)	–	500,000,000 (Note 3)	500,000,000	11.04%
Chan Kin Sun (Note 3)	–	500,000,000 (Note 3)	500,000,000	11.04%

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)
Chinese Strategic Holdings Limited (Note 4)	411,553,215 (Note 4)	186,000,000 (Note 5)	597,553,215	13.19%
Rich Best Asia Limited (Note 4)	411,553,215 (Note 4)	186,000,000 (Note 5)	597,553,215	13.19%
Top Status International Limited (Note 4)	318,953,215 (Note 4)	-	318,953,215	7.04%

Notes:

- As at 31 March 2016, the Company's issued ordinary share capital was HK\$90,574,101.20 divided into 4,528,705,060 Shares of HK\$0.02 each.
- 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.
- 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.
- 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 31 March 2016, of the 411,553,215 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), 1,100,000 shares were held by Winner Performance Limited (wholly-owned by Rich Best), 42,100,000 shares held by Right Magic Limited (wholly-owned by Rich Best) and 400,000 shares held by Sina Winner Investment Limited (wholly-owned by Rich Best). As such, both Chinese Strategic and Rich Best were deemed to be interested in 411,553,215 shares.
- 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 31 March 2016 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPETING INTERESTS

Mr. Ng Cheuk Fan, Keith, an independent non-executive Director, is a director of Fortune Finance Limited, a wholly-owned subsidiary of China Fortune Financial Group Limited. Fortune Finance Limited is engaged in provision of money lending service which has potential competing interests with the Group's business.

Save as disclosed above, none of the Directors or controlling shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business or interest that compete with the business of the Group or has or may have any other conflict of interest with the Group during the Reporting Period.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Code"). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code during the Reporting Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.



AUDIT COMMITTEE

The Company established an audit committee (the “Audit Committee”) on 31 July 2001 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Mr. Ng Cheuk Fan, Keith (Chairman of the Audit Committee), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2016 have been reviewed by the members of the Audit Committee.

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

Hong Kong, 12 May 2016

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

