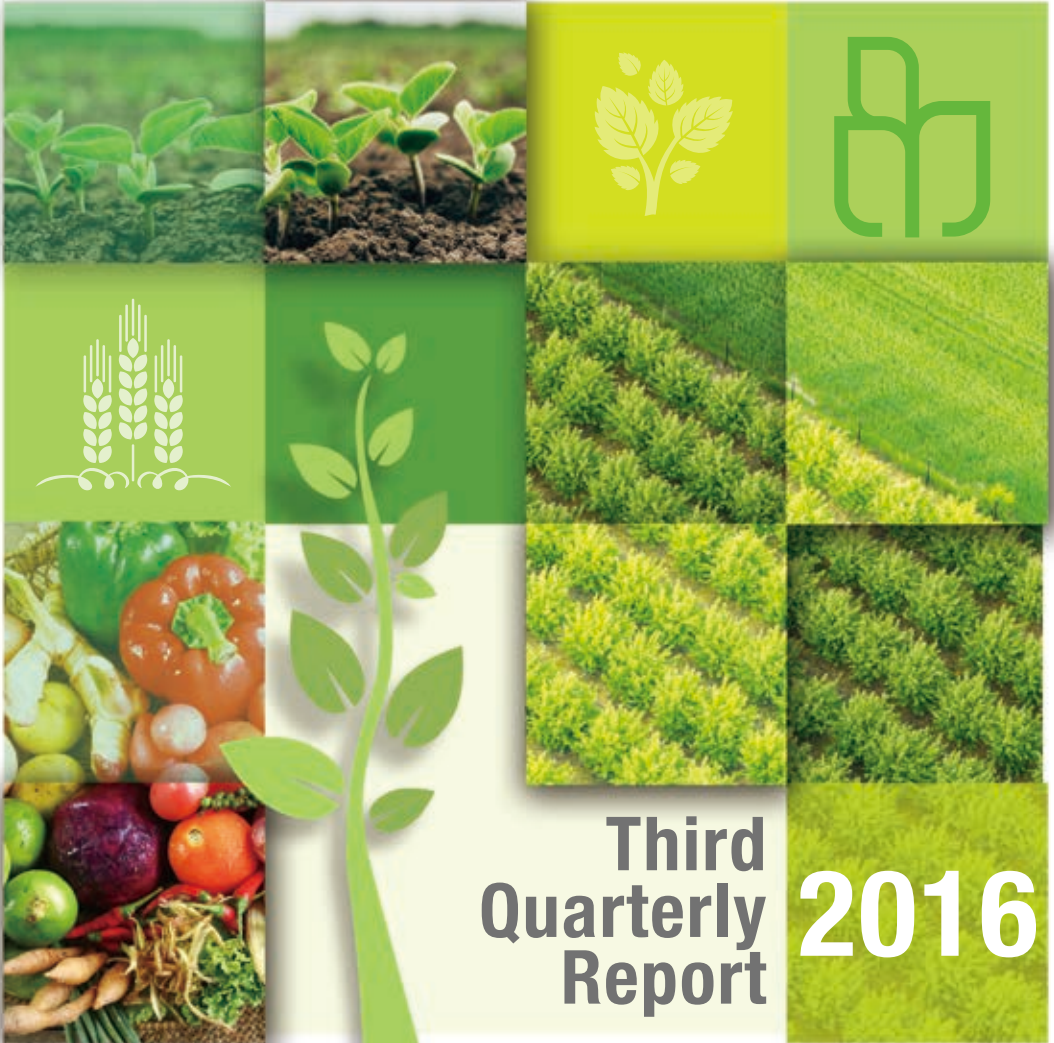




中國農業生態有限公司 China Eco-Farming Limited

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



**Third
Quarterly
Report**

2016

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

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

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

This report will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Company 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 discontinued operations) of approximately HK\$51,897,000 for the nine months ended 30 September 2016, representing an increase of approximately 19.1% as compared with approximately HK\$43,585,000 for the last corresponding period.

During the nine months ended 30 September 2016, revenue attributable to continuing operations amounted to approximately HK\$51,897,000 (nine months ended 30 September 2015: HK\$37,182,000) whereas revenue attributable to discontinued operations amounted to approximately HK\$6,403,000 for the last corresponding period (nine months ended 30 September 2016: nil).

The unaudited loss for the period attributable to owners of the Company for the nine months ended 30 September 2016 was approximately HK\$28,060,000 (nine months ended 30 September 2015: HK\$38,138,000). The basic loss per share of the Company for the nine months ended 30 September 2016 is 0.59 HK cents (nine months ended 30 September 2015: 1.12 HK 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 2016.



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 2016 together with the comparative figures for the last corresponding periods.

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

(Expressed in Hong Kong dollars)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Continuing operations					
Revenue	3	21,472	15,932	51,897	37,182
Cost of sales		(19,456)	(15,244)	(47,266)	(35,994)
Gross profit		2,016	688	4,631	1,188
Other revenue	3	1,052	384	3,840	1,009
Selling and distribution expenses		(279)	-	(511)	-
Administrative expenses		(15,269)	(14,886)	(36,810)	(27,503)
Finance costs	4	(1,747)	(1,078)	(4,990)	(2,508)
Gain on disposal of financial assets at fair value through profit or loss		71	-	110	3,006
Share of results of associates		(323)	(189)	(925)	(1,023)
Gain on bargain purchase	9(b)	-	507	-	507
Loss on deemed disposal of a subsidiary	10	(880)	-	(880)	-
Increase/(decrease) in fair value of financial assets at fair value through profit or loss		11,230	(11,986)	4,033	(12,121)
Loss before taxation		(4,129)	(26,560)	(31,502)	(37,445)
Taxation	5	-	-	1,508	-
Loss for the period from continuing operations		(4,129)	(26,560)	(29,994)	(37,445)
Discontinued operations					
Loss for the period from discontinued operations	6	-	-	-	(1,013)
Loss for the period		(4,129)	(26,560)	(29,994)	(38,458)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Loss for the period	(4,129)	(26,560)	(29,994)	(38,458)
Other comprehensive expense for the period:				
<i>Other comprehensive expense to be reclassified to profit or loss in subsequent periods</i>				
Exchange differences arising on translation of foreign operations	(364)	(37)	(767)	(35)
Total comprehensive expense for the period	(4,493)	(26,597)	(30,761)	(38,493)
Loss for the period attributable to owners of the Company:				
– from continuing operations	(3,699)	(26,585)	(28,060)	(37,125)
– from discontinued operations	–	–	–	(1,013)
	(3,699)	(26,585)	(28,060)	(38,138)
Loss for the period attributable to non-controlling interests:				
– from continuing operations	(430)	25	(1,934)	(320)
	(4,129)	(26,560)	(29,994)	(38,458)



	<i>Note</i>	For the three months ended 30 September		For the nine months ended 30 September	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Total comprehensive expense for the period attributable to owners of the Company:					
– from continuing operations		(4,080)	(26,599)	(28,750)	(37,154)
– from discontinued operations		–	–	–	(1,013)
		(4,080)	(26,599)	(28,750)	(38,167)
Total comprehensive expense for the period attributable to non-controlling interests:					
– from continuing operations		(413)	2	(2,011)	(326)
		(4,493)	(26,597)	(30,761)	(38,493)
LOSS PER SHARE	<i>8</i>				
From continuing and discontinued operations:					
Basic and diluted (<i>HK cents</i>)		(0.07)	(0.61)	(0.59)	(1.12)
From continuing operations:					
Basic and diluted (<i>HK cents</i>)		(0.07)	(0.61)	(0.59)	(1.09)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company								Non-controlling interests \$'000	Total \$'000
	Share capital \$'000	Share premium \$'000	Equity component of convertible bonds \$'000	Share options reserve \$'000	Translation reserve \$'000	Special reserve \$'000	Accumulated losses \$'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	-	-	-	-	-	-	(38,138)	(38,138)	(320)	(38,458)
Other comprehensive expense for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	-	(29)	-	-	(29)	(6)	(35)
Total comprehensive expense for the period	-	-	-	-	(29)	-	(38,138)	(38,167)	(326)	(38,493)
Issue of new shares	13,836	124,648	-	-	-	-	-	138,484	-	138,484
Recognition of equity-settled share based transactions	-	-	-	1,447	-	-	-	1,447	-	1,447
Issue of shares upon conversion of convertible bonds	24,500	-	(21,056)	-	-	-	-	3,444	-	3,444
Recognition of equity component of convertible bonds	-	-	8,652	-	-	-	-	8,652	-	8,652
Capital contribution to a subsidiary	-	-	-	-	-	-	-	-	46,500	46,500
At 30 September 2015	89,513	300,275	24,918	1,447	(214)	6,026	(171,611)	250,354	44,726	295,080
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	-	-	-	-	-	-	(28,060)	(28,060)	(1,934)	(29,994)
Other comprehensive expense for the period:										
Exchange differences arising on translation of foreign operations	-	-	-	-	(690)	-	-	(690)	(77)	(767)
Total comprehensive expense for the period	-	-	-	-	(690)	-	(28,060)	(28,750)	(2,011)	(30,761)
Issue of new shares	5,760	37,440	-	-	-	-	-	43,200	-	43,200
Placing of new shares	8,400	33,600	-	-	-	-	-	42,000	-	42,000
Transaction costs attributable to placing of new shares	-	(418)	-	-	-	-	-	(418)	-	(418)
Recognition of equity-settled share based transactions	-	-	-	3,671	-	-	-	3,671	-	3,671
Transfer of share options reserve upon the lapse of share options	-	-	-	(720)	-	-	720	-	-	-
At 30 September 2016	104,734	375,150	24,918	5,251	(8,719)	6,026	(220,027)	287,333	44,224	331,557



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 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. The provision of money leading service was commenced upon the grant of money lender licence in Hong Kong on 29 March 2016. During the nine months ended 30 September 2015, the Group was also engaged in the health care services and trading of ceramic products which were discontinued from 15 April 2015 and 30 June 2015, respectively (*see note 6*).

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is also the functional currency of the Company. Other than those subsidiaries established in the People’s Republic of China (the “PRC”) and Taiwan whose functional currencies are Renminbi (“RMB”) and New Taiwan dollars (“NTD”) respectively, the functional currency of the Company and its remaining 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 (the "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 accounting policies used in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 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 issued by the HKICPA which are or shall be in effect.

Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")	Annual Improvements to HKFRSs 2012 – 2014 Cycle
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

The adoption of the above amendments in the current period has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

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



3. Revenue and other revenue

An analysis of the Group's revenue and other revenue for the three months and nine months ended 30 September 2016 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations:				
One-stop value chain services	10,108	15,147	30,219	36,081
Rental income (note (i))	902	435	2,744	610
Trading of grocery food products	6,680	-	14,281	-
Trading of consumables and agricultural products	3,511	350	4,370	491
Provision of money lending service (note (ii))	271	-	283	-
Other revenue (note (iii))	1,052	384	3,840	1,009
	22,524	16,316	55,737	38,191
Discontinued operations:				
Health care services	-	-	-	6,403
Other revenue	-	-	-	26
	-	-	-	6,429
	22,524	16,316	55,737	44,620

Notes :

(i) Rental income

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Gross rental income	902	435	2,744	610
Less: outgoings (included in cost of sales)	(85)	(80)	(357)	(92)
Net rental income	817	355	2,387	518

(ii) *Provision of money lending service*

Included in interest income from provision of money lending services was interest income of approximately HK\$42,000 and HK\$42,000 for the three months and nine months ended 30 September 2016 (three months and nine months ended 30 September 2015: nil), respectively, charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an executive director of the Company, for aggregate loan amount of HK\$2,400,000 granted in July 2016. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2016.

(iii) *Other revenue*

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest income (note (iv))	1,020	376	3,160	978
Sundry income	32	8	680	31
	1,052	384	3,840	1,009

(iv) *Interest income*

Included in interest income are approximately HK\$27,000 and HK\$27,000 for the three months and nine months ended 30 September 2016 (three months and nine months ended 30 September 2015: nil), respectively, charged to Zhonghe Huaxia (Beijing) Investment Consulting Co., Ltd. ("Beijing HX") for a loan amount of approximately HK\$2,700,000 granted on 1 September 2016. The loan was interest-bearing with interest rate of 12% per annum, unsecured and repayable by 31 May 2017.

Mr. Au Yeung holds 15% interest in Beijing HX and Beijing HX are treated as associate in the consolidated financial statements of the Company.



4. Finance costs

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations				
Interest on bank loans	94	51	186	98
Effective interest expense on convertible bonds	1,653	1,027	4,804	2,410
	1,747	1,078	4,990	2,508

5. Taxation

Continuing operations

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax	–	–	–	–
Deferred tax	–	–	(1,508)	–
Income tax credit recognised in profit or loss	–	–	(1,508)	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and nine months ended 30 September 2016 and 2015. No provision for Hong Kong Profits Tax is provided as the Group did not have any assessable profits subject to Hong Kong Profits Tax for the three months and nine months ended 30 September 2016 and 2015.

Under the Law of the People's Republic of China (the "PRC") 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 the three months and nine months ended 30 September 2016 and 2015 as the Group did not derive any assessable profits subject to EIT.

No Taiwan Profit-Seeking Enterprise Income Tax, which is calculated at 17% of the estimated assessable profits, has been provided since there were no assessable profits for the three months and nine months ended 30 September 2016 and 2015.

6. Discontinued operations

On 15 April 2015, the Group entered into a termination agreement with the health care operator to terminate the health care service business. As a result, the operating segment of health care services has been ceased by passing a board resolution on 15 April 2015. Details are disclosed in the Company's announcement dated on 15 April 2015.

On 30 June 2015, a board resolution has been passed to discontinue the operating segment regarding trading of ceramic products due to the sluggish ceramic market and the decrease in the product demand of ceramic products.

The loss for the three and nine months ended 30 September 2016 and 2015 from the discontinued operations is analysed as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	-	-	-	6,403
Cost of sales	-	-	-	(4,885)
Gross profit	-	-	-	1,518
Other revenue	-	-	-	26
Administrative expenses	-	-	-	(2,557)
Loss before taxation	-	-	-	(1,013)
Taxation	-	-	-	-
Loss for the period	-	-	-	(1,013)

7. Dividend

The Board does not recommend any payment of interim dividend for the nine months ended 30 September 2016 (2015: nil).



8. Loss per share

For continuing and discontinued operations

The calculation of the basic and diluted loss per share attributable to owners of the Company during both the three months and nine months ended 30 September 2016 and 2015 is based on the following data.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	(3,699)	(26,585)	(28,060)	(38,138)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	5,042,618,103	4,377,523,756	4,790,164,914	3,408,361,763

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2016. The computation of diluted loss per share does not assume (i) the conversion of the Company's outstanding convertible bonds as at 30 September 2016; (ii) the exercise of share options to subscribe for additional shares; and (iii) the issue of contingent issuable shares from the contingent consideration arrangement as at 30 September 2016, since (i) the conversion of outstanding convertible bonds and the exercise of share options would result in an anti-dilutive effect; and (ii) the conditions of the contingent issuable shares were not met, for the three months and nine months ended 30 September 2016.

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2015. The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible bonds as at 30 September 2015 since their conversion would result in an anti-dilutive effect on the basic loss per share for the three months and nine months ended 30 September 2015.

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (Unaudited)	2015 (Unaudited)	2016 (Unaudited)	2015 (Unaudited)
Unaudited loss attributable to owners of the Company from continuing and discontinued operations (HK\$'000)	(3,699)	(26,585)	(28,060)	(38,138)
Less: Unaudited loss from discontinued operations (HK\$'000)	–	–	–	(1,013)
Unaudited loss for the purposes of basic and diluted loss per share from continuing operations (HK\$'000)	(3,699)	(26,585)	(28,060)	(37,125)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share for the discontinued operations for the three months and nine months ended 30 September 2015 are nil and 0.03 HK cents (three months and nine months ended 30 September 2016: nil) respectively, based on the loss for the three months and nine months ended 30 September 2015 from the discontinued operations of nil and approximately HK\$1,013,000, respectively and the denominators detailed above for both basic and diluted loss per share.



9. Acquisition of subsidiaries

(a) *Inno-Bag Limited ("Inno-Bag")*

On 29 July 2016, the Group acquired 60% equity interest of Inno-Bag, which is engaged in the business of trading reusable bags/eco-friendly reusable bags in Hong Kong, from an independent third party, at a consideration in the sum up to HK\$4,212,000, which shall be satisfied by cash of HK\$2,600,000 and remaining amount of HK\$1,612,000 shall be settled by issue of not more than 12,400,000 shares of the Company at HK\$0.13 per share (upon the condition as stated in the sale and purchase agreement have been satisfied) under the general mandate, and the consideration shares shall be allotted and issued by the Company to the independent third party by the following manner: divided into two tranches, maximum 6,200,000 shares will be issued at each year during the first to second anniversary financial years of Inno-Bag upon the fulfillment of the level of net profit as prescribed in the sale and purchase agreement (the "Inno-Bag Acquisition"). The transaction has been accounted for by acquisition method.

Details of the Inno-Bag Acquisition are set out in the announcements of the Company dated 29 July 2016 and 25 August 2016 by the following manner:

Consideration transferred:

	<i>HK\$'000</i>
Cash	2,600
Contingent consideration arrangement (<i>note</i>)	1,438
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Total	4,038
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Note: The provisional fair value of 12,400,000 shares of the Company was determined using the published market price of the computation date, i.e. HK\$0.116 per share. The fair value of the contingent consideration has been determined on a provisional basis, awaiting the completion of the valuation of the fair value.

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

	<i>HK\$'000</i>
Trade and other receivables	203
Bank balances and cash	324
Tax payable	(128)
	<hr/>
	399

Goodwill arising on acquisition (provisional basis):

	<i>HK\$'000</i>
Consideration transferred	4,038
Less: fair value of net assets acquired	(399)
	<hr/>
Goodwill arising on acquisition (provisional basis)	3,639

Net cash outflow on acquisition of Inno-Bag

	<i>HK\$'000</i>
Cash consideration paid	2,600
Less: Bank balances and cash acquired	(324)
	<hr/>
	2,276

The fair value of the net assets and liabilities acquired, and goodwill have been determined on a provisional basis, awaiting the completion of the valuation of the identifiable assets and liabilities.

Included in the loss for the three months and nine months ended 30 September 2016 from continuing operations is a loss of approximately HK\$78,000 attributable to the additional business generated by Inno-Bag. Revenue for the three months and nine months ended 30 September 2016 from continuing operations includes approximately HK\$462,000 generated from Inno-Bag.



Had the acquisition had been completed on 1 July 2016, total revenue of the Group for the three months ended 30 September 2016 would have been approximately HK\$22,313,000, and loss for the three months ended 30 September 2016 would have been approximately HK\$3,761,000. Had the acquisition had been completed on 1 January 2016, total revenue of the Group for the nine months ended 30 September 2016 would have been approximately HK\$55,496,000, and loss for the nine months ended 30 September 2016 would have been approximately HK\$29,356,000. 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 2016, nor is it intended to be a projection of future results.

(b) China Smart Asia Limited (“China Smart”)

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

On 29 May 2015, Delightful Hope, Yardley and Rich Best Asia Limited (“Rich Best Asia”), the subsidiary of Chinese Strategic Holdings Limited (“Chinese Strategic”), which is one of the non-controlling shareholders of the Company, entered into a sale and purchase agreement pursuant to which Rich Best Asia has agreed to sell and Delightful Hope has agreed to purchase 1 ordinary share of 100% equity interest in China Smart at a consideration of HK\$93,000,000, which shall be settled and discharged by Delightful Hope in accordance with the time, mode and manner set out under the sale and purchase agreement.

The aggregate consideration of HK\$93,000,000, of which (i) HK\$46,500,000 shall be satisfied by Yardley by cash or cashier order upon the completion and (ii) 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 Chinese Strategic (i) the Convertible bonds III (“CB-III”) in the principal amount of HK\$23,000,000; and (ii) the Convertible bonds IV (“CB-IV”) in the principal amount of HK\$23,500,000 at completion.

This acquisition has been accounted for using the acquisition method. The amount of gain on bargain purchase arising as a result of the acquisition was approximately HK\$507,000. Delightful Hope is principally engaged in property investment and has acquired China Smart so as to continue the expansion of the Group’s property investment.

Details of the acquisition are set out in the announcements of the Company dated 29 May 2015 and circular of the Company dated 27 July 2015.

Consideration transferred:

	<i>HK\$'000</i>
Cash	46,500
Issue of CB III and CB IV, at fair value (<i>note i</i>)	46,500
<hr/>	
Total	93,000
<hr/>	

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

	<i>HK\$'000</i>
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)
<hr/>	
	(30,195)
<hr/>	

Gain on bargain purchase arising on acquisition:

	<i>HK\$'000</i>
Consideration transferred	93,000
<i>Less:</i> fair value of net assets acquired:	
provisional fair value of net liabilities acquired	(30,195)
<i>Add:</i> amount due to immediate holding company (<i>note iii</i>)	123,702
<hr/>	
	93,507
<hr/>	
Gain on bargain purchase arising on acquisition	(507)
<hr/>	



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.
- (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 and other comprehensive income.
- (iii) In accordance with the sale and purchase agreement, the amount due to immediate holding company of China Smart 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.

Net cash outflow on acquisition of China Smart

	<i>HK\$'000</i>
Cash consideration paid	46,500
<i>Less: Cash and cash equivalent balances acquired</i>	<i>(707)</i>
	<hr/> 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. Revenue for the three months and nine months ended 30 September 2015 from continuing operations includes approximately HK\$252,000 generated from China Smart.

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 approximately HK\$16,428,000, and loss for the three months ended 30 September 2015 would have been approximately 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 approximately HK\$38,749,000, and loss for the nine months ended 30 September 2015 would have been approximately 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. Deemed disposal of a subsidiary

On 22 August 2016, Alpaco Company Limited ("Alpaco"), a wholly-owned subsidiary of the Company, entered a share subscription agreement with an independent third party for the subscription of 9,999 shares of Alpaco, representing 99.99% equity interest, at a cash consideration of approximately HK\$8,097,000. The subscription was completed on 22 September 2016. After the completion of the subscription, the Company lost control over Alpaco and considered as deemed disposal of a subsidiary. The remaining 0.01% equity interest in Alpaco was classified as an available-for-sale investment at cost of the Group since then.

HK'000

Consideration received:

Cash received	8,097
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Analysis of assets and liabilities over which control was lost:

Investment property	9,000
Deposit paid	3
Deposit Received	(26)
Net assets disposed of	8,977

Loss on deemed disposal of a subsidiary:

Consideration received	8,097
Net assets disposed of	(8,977)
Loss on deemed disposal of a subsidiary	(880)

Net cash inflow arising on disposal:

Cash consideration	8,097
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During the period from 1 January to 22 September 2016, Alpaco contributed to the Group's revenue and profit of approximately HK\$117,000 and HK\$46,000 respectively.



11. Event after the reporting period

Acquisition of 25% of the entire issued share capital of Gold Wide Holdings Limited involving issue of consideration shares under general mandate

On 20 September 2016, Allied Realty Limited ("Allied Realty"), a wholly-owned subsidiary of the Company and Mr. Huang Zekai ("Mr. Huang") entered into a sale and purchase agreement, pursuant to which (i) Mr. Huang has agreed to sell to Allied Realty, and Allied Realty has agreed to purchase from Mr. Huang, 40,000 ordinary shares of Gold Wide Holdings Limited ("Gold Wide"), representing 25% of the entire issued share capital in Gold Wide, and (ii) Mr. Huang has agreed to assign to the Allied Realty, and Allied Realty has agreed to receive the assignment of the sale loan at the consideration in the aggregate sum of HK\$29,000,001, to be settled by the issuance of 263,636,364 shares by the Company to Mr. Huang at the issue price of HK\$0.11 each under the general mandate of the Company together with HK\$1 in cash.

Gold Wide, a company incorporated in Hong Kong with limited liability, holds 40% equity interest in 長沙賽格發展有限公司 (Changsha Seg Development Co., Limited*) ("Changsha Seg"), the main operating company of the Gold Wide. Changsha Seg is a sino-foreign joint venture established in the PRC with a registered capital of RMB35,000,000 and is principally engaged in the provision of catering, entertainment services, rental of hotel rooms and office premises and property management. Upon completion, the Company indirectly holds 10% equity interest of Changsha Seg.

On 6 October 2016, the consideration shares above have been duly allotted and issued to Mr. Huang and completion took place on the same date. For details, please refer to the announcements of the Company dated 20 September 2016 and 6 October 2016.

* English name is for identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the nine months ended 30 September 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. 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, this business segment reported a revenue of approximately HK\$30,219,000 (nine months ended 30 September 2015: HK\$36,081,000) representing a decrease of approximately 16.2% as compared with the last corresponding period. The slowdown was in line with management’s view given the overall weak economy in the Europe. The Group will limit its resources to be spent in this segment gradually to balance between its revenue and associated cost.

Property Investment


During the Reporting period, the property investment segment reported revenue of approximately HK\$2,744,000 (nine months ended 30 September 2015: HK\$610,000). At 30 September 2016, the Group held properties in the PRC, Taiwan and Hong Kong for investment purpose amounted to approximately HK\$181,070,000 (31 December 2015: HK\$201,360,000).

The demands in the property markets in Hong Kong, Taiwan and the PRC are seen to be increasing again since second half of year 2016. The Group will continue to review and optimise the portfolio holding of the investment properties with the aim of maximising its returns.

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\$14,281,000. The Group is further strengthening 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, this business segment expanded by acquiring 60% of the entire issued share capital of Inno-Bag. The acquisition will enable the Group to expand and create business synergy with Inno-Bag which may provide a marketing platform for the advertisement of the Group's products while promoting the corporate image of the Company with an eco-friendly image.

During the Reporting Period, this segment reported revenue of approximately HK\$4,370,000 (nine months ended 30 September 2015: HK\$491,000). The Group continues its efforts in strengthening its current sales and marketing teams in order to accelerate the development of this business segment. Furthermore, the Group will further enhance the synergy effect by cross-selling between different networks procured from various trading partners. It is believed that this will catalyse the Group's revenue growth.

Provision of money-lending service

The Group's provision of money-lending service commenced in late March 2016. During the Reporting Period, this segment reported revenue of approximately HK\$283,000. The Group is positive about development of this business segment but will always strike a balance between business expansion and tighter credit control to achieve maximum returns.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue (including continuing and discontinued operations) of approximately HK\$51,897,000 (nine months ended 30 September 2015: HK\$43,585,000), representing an increase of approximately 19.1% as compared with the last corresponding period. This increase was mainly attributable to the increase in revenue generated from trading of grocery food products, trading of consumables and agricultural products and rental income, though partly offset by the effect of cessation of health care services during the year ended 31 December 2015.

Cost of sales (including continuing and discontinued operations) for the Reporting Period amounted to approximately HK\$47,266,000 (nine months ended 30 September 2015: HK\$40,879,000), representing an increase of approximately 15.6% 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 (including continuing and discontinued operations) for the Reporting Period amounted to approximately HK\$36,810,000 (nine months ended 30 September 2015: HK\$30,060,000), representing an increase of approximately 22.5% as compared with the last corresponding period. The increase was mainly due to development and expansion of new business.

Finance costs for the Reporting Period was approximately HK\$4,990,000 (nine months ended 30 September 2015: HK\$2,508,000), representing an increase of approximately 99.0% as compared with the last corresponding period. The increase was mainly due to the increase in effective interest expense on convertible bonds as compared with the last corresponding period and the interest paid for the secured bank loans.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$28,060,000 (nine months ended 30 September 2015: HK\$38,138,000). The basic loss per share of the Company for the nine months ended 30 September 2016 is 0.59 HK cents (nine months ended 30 September 2015: 1.12 HK cents).



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 2016, the bank balances and cash of the Group was approximately HK\$15,306,000 (31 December 2015: approximately HK\$36,871,000).

At 30 September 2016, the net assets of the Group was approximately HK\$331,557,000 (31 December 2015: HK\$273,865,000) and the net current assets was approximately HK\$141,640,000 (31 December 2015: HK\$93,758,000).

Capital Structure

As at 30 September 2016, the Company's issued ordinary share capital with an aggregate nominal value of HK\$104,734,101.20 is divided into 5,236,705,060 ordinary shares of HK\$0.02 each (the "Share(s)") (31 December 2015: HK\$90,574,101.20 divided into 4,528,705,060 Shares).

Fund Raising Activities

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

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 places 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 places 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. Further details of the placing are set out in the announcements of the Company dated 16 June 2015 and 2 July 2015.

The net proceeds from placing was used as follow:

Period under review	Aggregate amount used during period under review	Purpose of usage	Remaining balance of placing proceeds as at the last date of period under review
Since completion of placing on 2 July 2015 up to and including 30 September 2016	HK\$55.2 million	General working capital	HK\$0.7 million
	HK\$68.5 million	Future business development	Nil

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. Further details of the placing are set out in the announcements of the Company dated 25 April 2016 and 3 May 2016.



The net proceeds from placing was used as follow:

Period under review	Aggregate amount used during period under review	Purpose of usage	Remaining balance of placing proceeds as at the last date of period under review
Since completion of placing on 3 May 2016 up to and including 30 September 2016	HK\$26.4 million	General working capital	HK\$15.1 million

Issue of Convertible Bond III & Convertible Bond IV as a consideration of an acquisition – completed

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.

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) (a) the convertible bonds ("Convertible Bond-III") in the principal amount of HK\$23,000,000; and (b) 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 and Convertible Bond-IV, 186,000,000 new shares shall be issued.

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

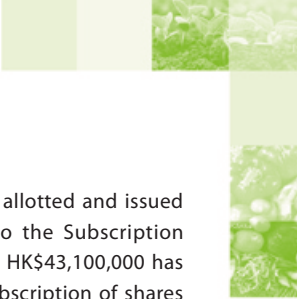
Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 29 May 2015, 20 August 2015 and the circular of the Company dated 27 July 2015.

Subscription of shares under general mandate and discloseable transaction on acquisition of 5% 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 July 2016, the Company entered into a subscription agreement (the "Subscription Agreement") with Mr. Sun Hui (the "Subscriber"), who owns 80% equity interest of 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 288,000,000 subscription shares at a consideration of HK\$43,200,000 at the subscription price of HK\$0.15 per subscription share. The subscription shares shall be allotted and issued under general mandate.

On the same date, Fujian Seton, an indirect 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 Fujian Seton has conditionally agreed to purchase, the sale shares, representing 5% of the equity interest of Anhui Damingyuan Tourism Development Company Limited ("Anhui Damingyuan"). The consideration for the acquisition is RMB36,000,000 (equivalent to approximately HK\$43,200,000), which shall be paid by Fujian Seton by cash to Anhui Xingguang at acquisition completion. Anhui Damingyuan is principally engaged in developing a 4A-level resort in Bengbu City Anhui Province, which is still under construction and is expected to be completed by end of 2016.





On 31 August 2016, an aggregate of 288,000,000 subscription shares were allotted and issued to the Subscriber at the subscription price of HK\$0.15 each pursuant to the Subscription Agreement. The net proceeds of the subscription amount to approximately HK\$43,100,000 has been used as the consideration of the acquisition. Further details of the subscription of shares are set out in the announcements of the Company dated 19 July 2016 and 31 August 2016.

Charges on Group's Assets

As at 30 September 2016, the Groups' investment properties and certain investments held for available-for-sale investments with an aggregate carrying value of approximately HK\$41,190,000 (31 December 2015: approximately HK\$19,440,000) have been pledged to banks to secure the bank borrowings granted to the Group.

Contingent Liabilities

As at 30 September 2016, the Group did not have any material contingent liabilities (31 December 2015: nil)

Capital Commitments

As at 30 September 2016, the Group did not have any material capital commitments (31 December 2015: HK\$1,026,000).

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 and Acquisitions

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 advance 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 advance 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.

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.



Acquisition of 60% of the entire issued share capital of Inno-Bag involving issue of the Company's shares under general mandate

On 29 July 2016, Treasure Max Investment Holdings Limited ("Treasure Max"), a wholly-owned subsidiary of the Company and Ms. Kwok Shuk Kam ("Ms. Kwok") entered into a sale and purchase agreement, pursuant to which Ms. Kwok agreed to sell 1,200 ordinary shares of Inno-Bag ("the Sale Shares"), representing 60% of the entire issued share capital of Inno-Bag, to Treasure Max, and Treasure Max agreed to acquire the Sale Shares from Ms. Kwok. The consideration for the acquisition is the sum of up to HK\$4,212,000, which shall be satisfied by cash of HK\$2,600,000 and remaining amount of HK\$1,612,000 shall be settled by issue of not more than 12,400,000 shares of the Company at HK\$0.13 per share under the general mandate.

Inno-Bag is a company incorporated in Hong Kong with limited liability. The principal business of Inno-Bag involves trading reusable bags/eco-friendly reusable bags in Hong Kong.

The acquisition has been completed on 25 August 2016, and the first portfolio consideration shares and second portfolio consideration shares were yet to be allotted. Further details of this acquisition are set out in the announcements of the Company dated 29 July 2016 and 25 August 2016.

Deemed disposal of a subsidiary

On 22 August 2016, Alpaco Company Limited ("Alpaco"), a wholly-owned subsidiary of the Company, entered a share subscription agreement with an independent third party for the subscription of 9,999 shares of Alpaco, representing 99.99% equity interest, at a cash consideration of approximately HK\$8,097,000. The subscription was completed on 22 September 2016. After the completion of the subscription, the Company lost control over Alpaco and considered as deemed disposal of a subsidiary. The remaining 0.01% equity interest in Alpaco was classified as an available-for-sale investment at cost of the Group since then.

Events after the reporting period

Details are set out in note 11 to the third quarterly report.

OUTLOOK

The global economy has been demonstrating slow growth and weak recovery, and Hong Kong being an externally oriented economy is unable to outperform easily.

During the Reporting Period, the Group continued to reshuffle its resources to develop identified business segments. As the Group will gradually limit the resources allocated to the one-stop value chain services segment, the Group will place significant emphasis on the trading of grocery food products segment and provision of money-lending service segment.

The business segment for trading of consumables and agricultural products was expanded through the acquisition of Inno-Bag. The acquisition of Inno-Bag will enable the Group to expand and create business synergy which may provide a marketing platform for the advertisement of the Group's products while promoting the corporate image of the Company with an eco-friendly image.

As regard the property investment business, during the Reporting Period, one of the investment properties situated in Hong Kong was disposed through the disposal of equity interest of Alpaco. The property markets in the Greater China Region become booming recently since second half of year 2016. Keeping a long position in the property markets enables the Group to benefit both from potential capital gain of the assets together with enhanced rental yields.

The equity market going forward is bound to be volatile given a number of events and factors including the new US presidency, interest rate direction and development of global economy. Nevertheless, the Group considers parking certain amount of funds in trading securities is desirable in order to balance the relatively long term nature of property investments. In any event, the Group will be cautious in managing the investment portfolio.

The Group shall continue to identify investment opportunities and will select projects which align with the Group's investment strategy and with the ultimate goal of maximising the shareholders' value.



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 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 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	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding
				as at 1 January 2016				as at 30 September 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
	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	15,600,000	-	-	15,600,000
			13 September 2017 – 12 September 2019	-	15,600,000	-	-	15,600,000
			13 September 2018 – 12 September 2019	-	20,800,000	-	-	20,800,000
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
	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2017 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2018 – 12 September 2019	-	16,000,000	-	-	16,000,000

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding
				as at 1 January 2016				as at 30 September 2016
Au Yeung Po Leung	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2017 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2018 – 12 September 2019	-	16,000,000	-	-	16,000,000
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
	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2017 – 12 September 2019	-	12,000,000	-	-	12,000,000
			13 September 2018 – 12 September 2019	-	16,000,000	-	-	16,000,000
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
	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2017 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2018 – 12 September 2019	-	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
	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2017 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2018 – 12 September 2019	-	2,000,000	-	-	2,000,000
Yuen Wai Man	12 September 2016	0.11	13 September 2016 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2017 – 12 September 2019	-	1,500,000	-	-	1,500,000
			13 September 2018 – 12 September 2019	-	2,000,000	-	-	2,000,000
			13 September 2018 – 12 September 2019	-	2,000,000	-	-	2,000,000



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 2016, 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 (Personal Interests)	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	9.54%
Sino Coronet Limited (Note 2)	-	-	500,000,000 (Note 2)	500,000,000	9.54%
Yardley Finance Limited (Note 3)	-	-	500,000,000 (Note 2)	500,000,000	9.54%
Chan Kin Sun (Note 3)	-	-	500,000,000 (Note 2)	500,000,000	9.54%

Name of shareholders	Number of shares of the Company (Personal Interests)	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)	-	407,413,215 (Note 4)	186,000,000 (Note 5)	593,413,215	11.33%
Rich Best Asia Limited (Note 4)	-	407,413,215 (Note 4)	186,000,000 (Note 5)	593,413,215	11.33%
Top Status International Limited (Note 4)	-	318,953,215 (Note 4)	-	318,953,215	6.09%
Sun Hui	395,840,000	-	-	395,840,000	7.55%

Notes:

- As at 30 September 2016, the Company's issued ordinary share capital was HK\$104,734,101.20 divided into 5,236,705,060 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 30 September 2016, of the 407,413,215 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), 1,120,000 shares were held by Winner Performance Limited (wholly-owned by Rich Best), 19,500,000 shares held by Right Magic Limited (wholly-owned by Rich Best), 18,400,000 shares were held by Sina Winner Investment Limited (wholly-owned by Rich Best) and 440,000 shares were held by First Champion Worldwide Limited (wholly-owned by Rich Best). As such, both Chinese Strategic and Rich Best were deemed to be interested in 407,413,215 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 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 executive Director, was a director of Fortune Finance Limited (resigned on 8 July 2016), 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 GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control and risk management system of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Ms. Yuen Wai Man (Chairman of the Audit Committee), Mr. Zhang Min, and Mr. Yick Ting Fai, Jeffrey.

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

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

Hong Kong, 10 November 2016

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

