



中國農業生態有限公司
China Eco-Farming Limited

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



2017

Third Quarterly Report

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

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

This report will remain on the Company’s website at <http://www.aplushk.com/clients/8166chinaeco-farming/index.html> and the “Latest Company 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 referred to as the “Group”) recorded an unaudited revenue of approximately HK\$44,252,000 for the nine months ended 30 September 2017 (the “Reporting Period”), representing a decrease of approximately 19.6% as compared with approximately HK\$55,053,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$60,393,000 (nine months ended 30 September 2016: HK\$28,060,000). The basic loss per share of the Company for the nine months ended 30 September 2017 is 1.00 HK cents (nine months ended 30 September 2016: 0.59 HK cents).

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

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 2017 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	
		2017 \$'000	2016 \$'000 (Restated)	2017 \$'000	2016 \$'000 (Restated)
Revenue	3	13,832	22,492	44,252	55,053
Cost of sales		(10,350)	(19,456)	(34,027)	(47,266)
Gross profit		3,482	3,036	10,225	7,787
Other revenue	3	550	32	1,194	684
Selling and distribution expenses		(335)	(279)	(1,081)	(511)
Administrative expenses		(13,778)	(15,269)	(42,840)	(36,810)
Finance costs	4	(1,963)	(1,747)	(6,854)	(4,990)
Gain/(loss) on disposal of financial assets at fair value through profit or loss		1,246	71	(6,297)	110
Gain on disposal of plant and equipment		4	-	228	-
Loss on disposal of interest in a subsidiary	8	-	(880)	(764)	(880)
Share of results of associates		868	(323)	2,333	(925)
(Decrease)/increase in fair value of financial assets at fair value through profit or loss		(10,819)	11,230	(19,287)	4,033
Loss before taxation		(20,745)	(4,129)	(63,143)	(31,502)
Taxation	5	(184)	-	1,844	1,508
Loss for the period		(20,929)	(4,129)	(61,299)	(29,994)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2017 \$'000	2016 \$'000 (Restated)	2017 \$'000	2016 \$'000 (Restated)
Loss for the period		(20,929)	(4,129)	(61,299)	(29,994)
Other comprehensive income (expense) for the period:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Fair value change of available-for-sale investments		(133)	-	(3,077)	-
Exchange differences arising on translation of foreign operations		(751)	(364)	(489)	(767)
Total comprehensive expense for the period		(21,813)	(4,493)	(64,865)	(30,761)
Loss for the period attributable to:					
– Owners of the Company		(20,297)	(3,699)	(60,393)	(28,060)
– Non-controlling interests		(632)	(430)	(906)	(1,934)
		(20,929)	(4,129)	(61,299)	(29,994)
Total comprehensive expense for the period attributable to:					
– Owners of the Company		(21,098)	(4,080)	(64,010)	(28,750)
– Non-controlling interests		(715)	(413)	(855)	(2,011)
		(21,813)	(4,493)	(64,865)	(30,761)
LOSS PER SHARE	7				
Basic and diluted (<i>HK cents</i>)		(0.33)	(0.07)	(1.00)	(0.59)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2017 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital \$'000	Share premium \$'000	Equity component of convertible bonds \$'000	Investment revaluation reserve \$'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 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 payments	-	-	-	-	3,671	-	-	-	3,671	-	3,671
Share option lapsed during the period	-	-	-	-	(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
At 1 January 2017	120,007	398,019	12,847	4,662	13,168	(17,725)	6,026	(218,875)	318,129	43,998	362,127
Loss for the period	-	-	-	-	-	-	-	(60,393)	(60,393)	(906)	(61,299)
Other comprehensive expense for the period:											
Fair value change of available-for-sale investments	-	-	-	(3,077)	-	-	-	-	(3,077)	-	(3,077)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(540)	-	-	(540)	51	(489)
Total comprehensive expense for the period	-	-	-	(3,077)	-	(540)	-	(60,393)	(64,010)	(855)	(64,865)
Recognition of equity-settled share based payments	-	-	-	-	7,728	-	-	-	7,728	-	7,728
Transfer of convertible bond to unsecured loan	-	-	(2,954)	-	-	-	-	2,954	-	-	-
Loss on disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	764	764
Reversal of convertible bonds in previous year	-	-	269	-	-	-	-	(269)	-	-	-
Share option lapsed during the period	-	-	-	-	(2,211)	-	-	2,211	-	-	-
Issue of new shares upon conversion of convertible bonds	1,369	14,065	(4,463)	-	-	-	-	-	10,971	-	10,971
Issue of new shares upon exercise of share options	615	4,281	-	-	(1,385)	-	-	-	3,511	-	3,511
At 30 September 2017	121,991	416,365	5,699	1,585	17,300	(18,265)	6,026	(274,372)	276,329	43,907	320,236

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operations

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

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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 Suites 2303-06, 23/F, Great Eagle Centre, 23 Harbour 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 2017, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of trading of grocery food products, trading of consumables and agricultural products, property investment, provision of money lending services, one-stop value chain services and provision of financial services.

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 incorporated in Taiwan whose functional currencies are Renminbi ("RMB") and New Taiwan dollars ("NTD") respectively, the functional currency of the Company and its subsidiaries is HK\$.

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

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements of the Group have 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 (the “GEM Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 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, certain financial instruments and available-for-sale investments 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 2017 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2016 except for the following amendments issued by the HKICPA which are or shall be in effect.

HKFRS 9 (2014)	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

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 2017 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Revenue:				
One-stop value chain services	3,427	10,108	8,117	30,219
Rental income (note (i))	946	902	2,551	2,744
Trading of grocery food products	6,512	6,680	24,820	14,281
Trading of consumables and agricultural products	1,511	3,511	4,468	4,370
Provision of money lending services (note (ii))	1,436	1,291	4,296	3,439
	13,832	22,492	44,252	55,053
Other revenue (note (iii))	550	32	1,194	684
	14,382	22,524	45,446	55,737

Notes :

(i) Rental income

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Gross rental income	946	902	2,551	2,744
Less: outgoings (included in cost of sales)	(23)	(85)	(65)	(357)
Net rental income	923	817	2,486	2,387

(ii) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$144,000 for the nine months ended 30 September 2017 (nine months ended 30 September 2016: HK\$42,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an executive director of the Company (resigned on 30 September 2017), for aggregate loan amount of HK\$2,400,000 extended in December 2016. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2017.

(iii) Other revenue

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited and restated)
Interest income (note (iv))	379	–	539	4
Sundry income	171	32	655	680
	550	32	1,194	684

(iv) Interest income

Included in interest income for the nine months ended 30 September 2017 was approximately HK\$547,000 (nine months ended 30 September 2016: HK\$27,000) 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 and another loan amount of approximately HK\$20,531,000 granted to Beijing HX on 31 August 2017. The loans were interest-bearing with interest rate of 12% and 18% per annum, unsecured and repayable by 31 May 2017 and 31 December 2017 respectively. As at the date of this report, the HK\$2,700,000 loan was still outstanding. Mr. Au Yeung holds 15% interest in Beijing HX and Beijing HX is 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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings	281	94	604	186
Interest on loan payable (Note (i))	595	–	687	–
Interest on margin loan payable	597	–	1,485	–
Effective interest expense on convertible bonds	490	1,653	4,078	4,804
	1,963	1,747	6,854	4,990

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$13,000 for the nine months ended 30 September 2017 (nine months ended 30 September 2016: nil), payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$2,000,000 granted in January 2017. The loan was interest-bearing with interest rate of 4% per annum and fully repaid by 31 March 2017.

5. Taxation

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax	184	–	407	–
Deferred tax	–	–	(2,251)	(1,508)
Income tax credit recognised in profit or loss	184	–	(1,844)	(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 2017 and 2016. 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 2017 and 2016.

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 2017 and 2016 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 2017 and 2016.

6. Dividend

The Board does not recommend any payment of interim dividend for the nine months ended 30 September 2017 (2016: nil).

7. Loss per share

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 2017 and 2016 is based on the following data.

	For the three months ended 30 September		For the nine months ended 30 September	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	(20,297)	(3,699)	(60,393)	(28,060)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	6,081,054,257	5,042,618,103	6,037,319,040	4,790,164,914

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2017. The computation of diluted loss per share does not assume (i) the conversion of the Company's outstanding convertible bonds as at 30 September 2017; (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 2017, 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 2017.

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 the conversion of the Company's outstanding convertible bonds as at 30 September 2016 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 2016.

8. Disposal of a subsidiary

During the Reporting Period, the Group disposed of a subsidiary. Net assets of the subsidiary being disposed of at the date of disposal were as follows:

HK\$'000

Consideration received:

Cash received	-
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Net assets disposed of:

Other receivables	6,212
Bank balances and cash	467
Amount due from immediate holding company	10
Amount due to ultimate holding company	(4,529)
Amount due to fellow subsidiaries	(222)
Other payables	(410)

Net assets disposal of (50%)	1,528
Loss on disposal	(764)

Satisfied by:

Cash consideration	-
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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. On 31 December 2016, the remaining 0.01% equity interest was also disposed at a nominal amount. As a result, the Group's interest in Alpaco was fully disposed as at 31 December 2016.

HK'000

Consideration received:

Cash received	8,097
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Net assets disposed of:

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

Loss on disposal of a subsidiary:

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

Satisfied by:

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.

9. Comparative figures

Revenue in respect of provision of money lending services of approximately HK\$3,156,000 and HK\$1,020,000 for the nine months ended 30 September 2016 and for the three months ended 30 September 2016 was previously included in other revenue. To confirm to current period's presentation, the above amount as comparative figure has been reclassified to revenue in the condensed consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the nine months ended 30 September 2017 (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, provision of money lending services and provision of financial services.

One-stop Value Chain Services

During the Reporting Period, this business segment reported a revenue of approximately HK\$8,117,000 (nine months ended 30 September 2016: HK\$30,219,000) representing a decrease of approximately 73.1% as compared with the last corresponding period. The directors are critically reviewing the performance of this segment together with overall resources allocation of the Group.

Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$2,551,000 (nine months ended 30 September 2016: HK\$2,744,000). At 30 September 2017, the Group held properties in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$155,457,000 (31 December 2016: HK\$174,850,000).

The demands in the property markets in Hong Kong, Taiwan and the PRC are considered stable general. 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 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. The Group is also the sole and exclusive distributor for the sale and distribution of ramen and udon products under the brand of “Nittin” (日丁) in Hong Kong, Macau and Taiwan.

During the Reporting Period, the segment reported a revenue of approximately HK\$24,820,000 (nine months ended 30 September 2016: HK\$14,281,000), representing an increase of approximately 73.8% as compared with the last corresponding period. While the Group is still satisfactory with the ramen and udon products performance, little improvement is noted on the Mengniu and Jinlongyu products. The Group is about to come to a conclusion with the relevant business partners on the way forward.

Trading of consumables and agricultural products

During the Reporting Period, the trading of consumables and agricultural products segment generated revenue of approximately HK\$4,468,000 (nine months ended 30 September 2016: HK\$4,370,000).

The acquisition of recycled bags trading arm continued to dominate the whole segment while trading of other agricultural products still showed unstable track record. It is expected that the trading of recycled bags added sustainability in the segment's development and the Group will benefit from the society's environmental protection trend in the long run.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$4,296,000 (nine months ended 30 September 2016: HK\$3,439,000), representing an increase of approximately 24.9% as compared with the last corresponding period. As the loan portfolio will be growing steadily, the Group will continue to maintain sound credit control policy to balance the finance income against credit risk from respective borrowers.

Provision of financial services

During the Reporting Period, the Group successfully stepped into the business provision of financial services. On 17 August 2017, China AF Asset Management Limited, a wholly-owned subsidiary, obtained Type 9 licence under Securities and Futures Commission (the "SFC"). On 5 September 2017, the Group completed the acquisition of 70% interest in China AF Corporate Finance Limited (formerly known as Royal Excalibur Corporate Finance Company Limited), a company holding Type 6 licence under the SFC. It is believed that this segment will ride on Hong Kong's being international financial hub and provide positive contribution to the Group.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$44,252,000 (nine months ended 30 September 2016: HK\$55,053,000), representing a decrease of approximately 19.6% as compared with the last corresponding period. This decrease was mainly attributable to the slump in the provision of one-stop value chain services but partly offset by the growth in trading of grocery food products.

Cost of sales for the Reporting Period amounted to approximately HK\$34,027,000 (nine months ended 30 September 2016: HK\$47,266,000), representing a decrease of approximately 28% as compared with the last corresponding period. The decrease was in line with the setback in revenue during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$42,840,000 (nine months ended 30 September 2016: HK\$36,810,000), representing an increase of approximately 16.4% as compared with the last corresponding period. This increase was mainly due to increase of share based payment of approximately HK\$3,904,000, increase of legal and professional fees of approximately HK\$2,218,000 and rental expense of approximately HK\$1,983,000.

Finance costs for the Reporting Period was approximately HK\$6,854,000 (nine months ended 30 September 2016: HK\$4,990,000), representing an increase of approximately 37.4% as compared with the last corresponding period. The increase was mainly due to the increase of interest paid and payable for the secured loans and margin loan.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$60,393,000 (nine months ended 30 September 2016: HK\$28,060,000). The basic loss per share of the Company for the nine months ended 30 September 2017 is 1.00 HK cents (nine months ended 30 September 2016: 0.59 HK cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources, borrowings and convertible bonds. At 30 September 2017, the bank balances and cash of the Group was approximately HK\$8,545,000 (31 December 2016: approximately HK\$22,298,000).

At 30 September 2017, the net assets of the Group was approximately HK\$320,236,000 (31 December 2016: HK\$362,127,000) and the net current assets was approximately HK\$54,029,000 (31 December 2016: HK\$94,681,000).

Capital Structure

As at 30 September 2017, the Company's issued ordinary share capital with an aggregate nominal value of HK\$121,990,704.70 is divided into 6,099,535,235 ordinary shares of HK\$0.02 each ("Shares") (31 December 2016: HK\$120,006,828.48 divided into 6,000,341,424 Shares).

Fund Raising Activities

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.

Included in the audited financial statements of the Property Investment Subsidiary (as defined in the Company's circular dated 19 February 2014) dated 28 April 2017 was the profit before tax of the Property Investment Subsidiary for the period commencing from the Placing Completion Date (as defined in the Company's circular dated 19 February 2014) up to 31 December 2016 of HK\$46,541,792 which was audited by the auditor of the Company. As a result, principal portion of Convertible Bond II amounted to HK\$8,364,552 was cancelled by the Company pursuant to the terms and conditions of the Convertible Bond II. On 23 May 2017, 68,443,811 new shares of the Company were issued to Mr. So Pan upon his exercise in full of the remaining portion of Convertible Bond II.

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.

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.

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.

Convertible Bond III expired on 31 March 2017 and subsequently the Company received a redemption notice from the Convertible Bond III holder for the principal amount of HK\$23,000,000. As at the date of this report, the amount remained outstanding and the Company is in negotiation with the Convertible Bond III holder for settlement arrangement.

Charges on Group's Assets

As at 30 September 2017, the Group had charges on one of its investment properties in Taiwan, to obtain a mortgage financing from a bank in Taiwan of approximately HK\$9,361,000 (31 December 2016: HK\$9,181,000). Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$25,094,000 (31 December 2016: HK\$16,768,000). Further, the Group had charges on certain investment properties in the PRC to obtain term loans from a money lender in the PRC of approximately HK\$47,484,000.

Contingent Liabilities

As at 30 September 2017, the Group did not have any material contingent liabilities (31 December 2016: nil).

Capital Commitments

As at 30 September 2017, the Group had capital commitment amounting to approximately HK\$45,000,000 (31 December 2016: HK\$2,451,000).

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, Acquisitions and Disposal

Disposal of an investment property

On 3 December 2016, the Group entered into and signed a sale and purchase agreement with an independent third party to dispose of one of the investment properties held by the Group which is located in the PRC with fair value of approximately RMB17,500,000 (equivalent to approximately HK\$19,447,000) as at 31 December 2016. Such property was classified as asset held for sale in the consolidated statement of financial position as at 31 December 2016. The transaction was completed on 14 March 2017 with a gain of disposal between the sale proceed over the cost of acquisition of approximately HK\$4,685,000.

Acquisition of Shunxin Holdings Limited and placing of convertible bonds

(a) The acquisition of Shunxin Holdings Limited (the "Acquisition")

On 29 May 2017, Cosmic Bliss Limited as the vendor (the "Vendor"), Champion Front Limited as the purchaser (the "Purchaser") and the Company entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the entire issued share capital of Shunxin Holdings Limited, the target company, at the maximum consideration of HK\$120,000,000, which shall be settled by the issue of the consideration CBs (the "Consideration CBs").

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the outstanding shareholder loan due to the Vendor at the consideration of HK\$1, which shall be settled by cash at completion.

The Consideration CBs are convertible at the conversion price of HK\$0.06 per consideration conversion share. Assuming the Consideration CBs in the principal amount of HK\$120,000,000 are fully converted at the initial conversion price of HK\$0.06, 2,000,000,000 new shares will be allotted and issued by the Company under specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Consideration CBs.

Upon completion of the Acquisition, the target company and its subsidiaries will become wholly-owned subsidiaries of the Company and accordingly, their financial results will be consolidated into the accounts of the Company.

(b) Placing of convertible bonds (the "Placing")

On 29 May 2017, Kingston Securities Limited (the "Placing Agent") and the Company entered into a placing agreement (the "Placing Agreement") pursuant to which the Company has agreed to appoint the Placing Agent as the placing agent and the Placing Agent has agreed to procure subscribers to subscribe for the placing CBs (the "Placing CBs") in the aggregate principal amount of HK\$360,000,000, on a best effort basis, on the terms and conditions set out in the Placing Agreement.

Completion of the Placing shall be conditional upon, among other things, the completion of the Acquisition. Assuming the Placing CBs in the principal amount of HK\$360,000,000 are fully converted at the initial conversion price of HK\$0.06, 6,000,000,000 new shares will be allotted and issued by the Company under the specific mandate to authorise the Directors to allot and issue the conversion shares under conversion of the Placing CBs.

As at the date of this report, the Acquisition and the Placing had not yet completed.

Acquisition of interest in certain properties in Shenzhen, the PRC

On 17 July 2017, Yardley Wealth Management Limited ("YWML") and Skyline Top Limited ("STL"), a wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") pursuant to which the YWML has agreed to sell and the STL has agreed to purchase the sale shares (the "Sale Shares"), representing 50% of the issued share capital of Delightful Hope Limited (the "Target Company") for cash consideration of HK\$55,000,000. The Target Company is a non-wholly owned subsidiary of the Company and is owned as to 50% by each of YWML and STL. Following completion, the Target Company will be wholly owned by the STL and will become an indirect wholly-owned subsidiary of the Company.

The principal assets of the Target Company consist of properties comprise 8 commercial units of a total gross floor area of approximately 1,690 sq.m. in Shenzhen City, Guangdong Province, the PRC, and a residential house in Shenzhen City, Guangdong Province, the PRC of a total gross floor area of approximately 315.23 sq.m. According to the audited consolidated account of the Target Company, the book value of the properties was approximately HK\$110,236,000 as at 31 December 2016.

The consideration payable by the STL to the YWML for the Sale Shares is HK\$55,000,000 and shall be satisfied by the STL's payment in cash to the YWML or its nominee in the following manner: (a) as to the part payment in the sum of HK\$20,000,000, within 14 days after the date of the Agreement; (b) as to the balance of HK\$35,000,000, upon completion.

On 31 July 2017, a supplemental agreement was entered into between the parties that the part payment in the sum of HK\$20,000,000 shall be paid on or before 28 August 2017 or such later date as the parties may agree in writing. As at the date of this report, HK\$10,000,000 out of the above part payment has been paid.

OUTLOOK

It is anticipated that the economic situation in Hong Kong in the rest of the year will be broadly stable. Though Federal Reserve raised interest rates twice before, interest rates in Hong Kong remain quite stable.

Revenue from one-stop value chain services rebounded to certain extent in third quarter. Nonetheless, it is still not expected to provide lots of positive contribution to the Group in future.

Recently the PRC property market suffered some policy adjustments in certain territories. The Group will continue to solidify its investments in Shenzhen while the management is open to offers for realising profits on those non-core properties holding.

Thanks to the recycled bags business, trading of consumables and agricultural products is expected to continue its positive contribution to the Group. The Group continues to make use of its different networks to promote further this business segment.

The Nittin udon and ramen will be the key player in the trading of grocery food products segment. The Group is undergoing a strategic move as to the Jinlongyu and Mengniu products.

Provision of money lending services is expected to be stable. Since most of the Group's lending were covered and protected by collaterals, the Group will continue to allocate certain resources in this segment.

After completion of the acquisition of Type 6 licensed company and establishment of Type 9 licensed company, the Group will further explore financial service opportunities in Hong Kong and the PRC.

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 2017, 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 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2017
So David Tat Man	13 July 2015	0.212	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 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	-	(6,000,000)	-	6,000,000
			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 as at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 September 2017
Ng Cheuk Fan, Keith	13 July 2015	0.212	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
Yick Ting Fai, Jeffrey	13 July 2015	0.212	13 September 2017 – 12 September 2019	12,000,000	-	-	-	12,000,000
			13 September 2018 – 12 September 2019	16,000,000	-	-	-	16,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
Zhang Min	13 July 2015	0.212	13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
Yuen Wai Man	13 July 2015	0.212	13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000
Yuen Wai Man	13 July 2015	0.212	13 September 2017 – 12 September 2019	1,500,000	-	-	-	1,500,000
			13 September 2018 – 12 September 2019	2,000,000	-	-	-	2,000,000
	12 September 2016	0.11	13 September 2016 – 12 September 2019	1,500,000	-	-	-	1,500,000

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 2017, 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)
Yardley Finance Limited (Note 2)	-	471,600,000	-	471,600,000	7.73%
Chan Kin Sun (Note 2)	-	471,600,000	-	471,600,000	7.73%
Sun Hui	395,840,000	-	-	395,840,000	6.48%
Cosmic Bliss Limited (Note 3)	-	-	2,000,000,000 (Note 4)	2,000,000,000	32.78%
Li Wei Bo (Note 3)	-	-	2,000,000,000 (Note 4)	2,000,000,000	32.78%

Notes:

1. As at 30 September 2017, the Company's issued ordinary share capital was HK\$121,990,704.70 divided into 6,099,535,235 Shares of HK\$0.02 each.
2. These shares were held by 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 these shares.
3. These shares were held by Cosmic Bliss Limited ("Cosmic Bliss"), a company incorporated in the British Virgin Islands with limited liability. Since Cosmic Bliss is wholly-owned by Li Wei Bo, Li Wei Bo was deemed to be interested in these shares.
4. Pursuant to a sale and purchase agreement dated 29 May 2017, Cosmic Bliss shall receive convertible bonds up to a maximum of HK\$120,000,000 as consideration which are convertible into 2,000,000,000 new shares of the Company. For details, please refer to the Company's announcement dated 29 May 2017.

Save for disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 30 September 2017 as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 6 May 2011 (the "Share Option Scheme"). During the Reporting Period, options to subscribe for 54,425,000 Shares were lapsed, options to subscribe for 30,750,000 Shares were exercised and none was granted nor cancelled. As at 30 September 2017, options to subscribe for 403,625,000 Shares remained outstanding.

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 31 July 2001 with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control 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. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

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

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

Hong Kong, 8 November 2017

As at the date of this report, the executive Directors are Mr. So David Tat Man, Mr. Lai Yick Fung 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.