



中國農業生態有限公司 China Eco-Farming Limited

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

First
Quarterly
Report

2018



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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 of approximately HK\$18,893,000 for the three months ended 31 March 2018, representing an increase of approximately 22.3% as compared with approximately HK\$15,449,000 for the corresponding period in 2017.

The unaudited loss for the period attributable to owners of the Company for the three months ended 31 March 2018 was approximately HK\$102,000 (three months ended 31 March 2017: HK\$25,848,000). The basic loss per share of the Company for the three months ended 31 March 2018 was HK0.0017 cents (three months ended 31 March 2017: HK0.4308 cents).

The board of Directors of the Company (the “Board”) does not recommend any payment of interim dividend for the three months ended 31 March 2018.

UNAUDITED CONDENSED CONSOLIDATED QUARTERLY RESULTS

The Board announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2018 together with the comparative figures for the corresponding period in 2017.

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

(Expressed in Hong Kong dollars)

		For the three months ended 31 March	
	<i>NOTES</i>	2018 \$'000	2017 \$'000
Turnover		18,893	15,449
Revenue	3	16,283	14,084
Cost of sales		(13,782)	(11,985)
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Gross profit		2,501	2,099
Provision of money lending services income	3	1,431	1,365
Provision of financial services income	3	1,179	–
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Other revenue	3	5,111	3,464
Selling and distribution expenses		1,321	86
Administrative expenses		(298)	(402)
Administrative expenses		(10,434)	(15,153)
Share of results of associates		1,530	219
Finance costs	4	(3,716)	(2,669)
Increase/(Decrease) in fair value of financial asset at fair value through profit or loss		6,260	(6,171)
Loss on disposal of financial asset at fair value through profit or loss		(39)	(7,550)
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Loss before taxation		(265)	(28,176)
Taxation	5	(158)	2,079
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Loss for the period		(423)	(26,097)

		For the three months ended 31 March	
	<i>NOTES</i>	2018 \$'000	2017 \$'000
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value change of available-for-sale investments		(669)	(804)
Exchange differences on translation of foreign operation		(1,172)	(52)
Other comprehensive expense for the period		(1,841)	(856)
Total comprehensive expense for the period		(2,264)	(26,953)
Loss for the period attributable to:			
Owners of the Company		(102)	(25,848)
Non-controlling interests		(321)	(249)
		(423)	(26,097)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(1,101)	(26,756)
Non-controlling interests		(1,163)	(197)
		(2,264)	(26,953)
Loss per share	7		
Basic and diluted (<i>HK cents</i>)		(0.0017)	(0.4308)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018 (Expressed in Hong Kong dollars)

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Equity component of convertible bonds	Investment revaluation reserve	Share option reserve	Translation reserve	Special reserve	Other reserve	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
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	-	-	-	-	-	-	-	-	(25,848)	(25,848)	(249)	(26,097)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(804)	-	-	-	-	-	(804)	-	(804)
Exchange difference arising on translating foreign operations	-	-	-	-	-	(104)	-	-	-	(104)	52	(52)
Other comprehensive expense for the period	-	-	-	(804)	-	(104)	-	-	-	(908)	52	(856)
Total comprehensive expense for the period	-	-	-	(804)	-	(104)	-	-	(25,848)	(26,756)	(197)	(26,953)
Recognition of equity-settled share based payments	-	-	-	-	3,011	-	-	-	-	3,011	-	3,011
Derecognition of equity component of convertible bond upon maturity	-	-	(2,954)	-	-	-	-	-	2,954	-	-	-
At 31 March 2017	120,007	398,019	9,893	3,858	16,179	(17,829)	6,026	-	(241,769)	294,384	43,801	338,185
At 1 January 2018	122,071	416,409	5,699	5,064	18,827	(3,323)	6,026	(764)	(285,358)	284,651	35,582	320,233
Loss for the period	-	-	-	-	-	-	-	-	(102)	(102)	(321)	(423)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(669)	-	-	-	-	-	(669)	-	(669)
Exchange difference arising on translating foreign operations	-	-	-	-	-	(330)	-	-	-	(330)	(842)	(1,172)
Other comprehensive expense for the period	-	-	-	(669)	-	(330)	-	-	-	(999)	(842)	(1,841)
Total comprehensive expense for the period	-	-	-	(669)	-	(330)	-	-	(102)	(1,101)	(1,163)	(2,264)
Placing of new shares	24,000	72,909	-	-	-	-	-	-	-	96,909	-	96,909
Recognition of equity-settled share based payments	-	-	-	-	955	-	-	-	-	955	-	955
Share option lapsed during the period	-	-	-	-	(1,724)	-	-	-	1,724	-	-	-
At 31 March 2018	146,071	489,318	5,699	4,395	18,058	(3,653)	6,026	(764)	(283,736)	381,414	34,419	415,833

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organisation and operation

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

The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited since 5 February 2002.

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

The addresses of registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is 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 three months ended 31 March 2018, 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\$.

2. Principal accounting policies and basis of preparation

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

The principal accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated financial results for the three months ended 31 March 2018 are consistent with those adopted in preparing the audited consolidated financial statements of the Group for the year ended 31 December 2017 except for the following amendments and interpretation ("New HKFRSs") issued by HKICPA which are or shall be in effect.

HKFRS 9 (2014)	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²

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

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

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

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

3. Revenue and other revenue

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

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue:		
Trading of grocery food products	1,570	9,276
Trading of consumables and agricultural products	1,762	1,236
Rental income (note (i))	1,683	807
Provision of money lending services (note (ii))	1,431	1,365
One-stop value chain services	11,268	2,765
Provision of financial services	1,179	–
	18,893	15,449
Other revenue (note (iii))	1,321	86
	20,214	15,535

Note:

(i) Rental income

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gross rental income	1,683	807
Less: outgoings (included in cost of sales)	(205)	(20)
Net rental income	1,478	787

(ii) Provision of money lending services

Included in interest income from provision of money lending services was interest income of approximately HK\$47,000 for the three months ended 31 March 2018 (three months ended 31 March 2017: HK\$47,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an executive director of the Company and resigned on 30 September 2017, for aggregate loan amount of HK\$2,400,000 extended in December 2017. The loans were interest-bearing with interest rate of 8% per annum, secured by the non-listed shares and repayable by 31 December 2018.

(iii) Other revenue

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income (note (iv))	1,088	80
Sundry income	233	6
	1,321	86

(iv) Interest income

Included in interest income are approximately HK\$1,077,000 for the three months ended 31 March 2018 (three months ended 31 March 2017: HK\$79,000), charged to Zhonghe Huaxia (Beijing) Investment Consulting Co., Ltd. ("Beijing HX") for a loan amount of approximately HK\$22,495,000 granted on 1 September 2017. The loan was interest-bearing with interest rate of 18% per annum, unsecured and repayable by 30 April 2018. Another loan amount of approximately HK\$2,700,000 granted to Beijing HX 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 is treated as associate in the consolidated financial statements of the Company.

4. Finance costs

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank borrowings	48	153
Interest on loans payable (note (i))	2,322	92
Interest on margin loans payable	844	428
Effective interest expense on convertible bonds	502	1,996
	3,716	2,669

Note:

(i) Interest on loans payable

Included in interest on loans payable were interest expenses of approximately HK\$3,000 for the three months ended 31 March 2018 (three months ended 31 March 2017: HK\$13,000), payable to Mr. So David Tat Man, an executive director of the Company, for aggregate loan amount of HK\$990,000 granted in January 2018. The loan was interest-bearing with interest rate of 4% per annum and fully repaid by 31 January 2018.

5. Taxation

	For the three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax	158	172
Deferred tax	-	(2,251)
Income tax credit recognised in profit or loss	158	(2,079)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the three months ended 31 March 2018 and 2017.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. No EIT is provided for the three months ended 31 March 2018 as the Group did not derive any assessable profit subject to EIT.

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

6. Dividend

The Board does not recommend any payment of interim dividend for the three months ended 31 March 2018 (2017: Nil).

7. Loss per share

The calculation of the basic loss per share for the three months ended 31 March 2018 and 2017 is based on the respective unaudited consolidated loss for the period attributable to owners of the Company of approximately HK\$102,000 (2017: HK\$25,848,000) and the weighted average of 6,143,552,488 (2017: 6,000,341,424) ordinary shares of HK\$0.02 each in issue during the three months ended 31 March 2018.

Diluted loss per share is same as basic loss per share for the periods ended 31 March 2018 and 31 March 2017. The computation of diluted loss per share does not assume the conversion/exercise of Company's outstanding convertible bonds and options to subscribe for additional shares since their conversion/exercise would result in an anti-dilutive effect on the basic loss per share.

8. Comparative figures

Turnover, provision of money lending services income and provision of financial services income were presented separately in the consolidated statement of profit or loss and other comprehensive income to facilitate a better presentation. To conform to current period's presentation, the above amount for the period ended 31 March 2017 have been separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the three months ended 31 March 2018 (the “Reporting Period”), the Group has been 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.

Trading of Grocery Food Products

The Group’s trading of grocery food products segment is 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\$1,570,000 (three months ended 31 March 2017: HK\$9,276,000), representing a decrease of approximately 83.1% as compared with the last corresponding period. The decrease was mainly due to the Group has ceased the trading business of “Mengniu” and “Jinlongyu”.

Trading of Consumables and Agricultural Products

During the Reporting Period, the trading of consumables and agricultural products segment generated a revenue of approximately HK\$1,762,000 (three months ended 31 March 2017: HK\$1,236,000), representing an increase of approximately 42.6% as compared with the last corresponding period.

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

Property Investment

During the Reporting Period, this business segment reported a revenue of approximately HK\$1,683,000 (three months ended 31 March 2017: HK\$807,000), representing an increase of approximately 108.6% as compared with the last corresponding period. The increase was mainly due to more office spaces were leased out. At 31 March 2018, the Group held properties in the People’s Republic of China (“PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$169,173,000 (31 December 2017: HK\$169,173,000).

The demands in the property markets in Hong Kong, Taiwan and the PRC are considered stable in general. The Group will continue to review and optimize the portfolio holding of the investment properties with the aim of maximising its returns.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$1,431,000 (three months ended 31 March 2017: HK\$1,365,000), representing an increase of approximately 4.8% as compared with the last corresponding period. The Group continues to maintain sound credit control policy when advancing loans to customers.

One-stop Value Chain Services

During the Reporting Period, the one-stop value chain business of the Group generated a revenue of approximately HK\$11,268,000 (three months ended 31 March 2017: HK\$2,765,000), representing an increase of approximately 307.5% as compared with the last corresponding period. The increase was due to more resources were allocated to this segment.

Provision of financial services

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. During the Reporting Period, this segment reported a revenue of approximately HK\$1,179,000 (three months ended 31 March 2017: nil).

Financial asset at fair value through profit or loss

During the Reporting Period, the Group has recorded fair value gain of approximately HK\$6,260,000 (three months ended 31 March 2017: fair value loss HK\$6,171,000).

During the Reporting Period, the Group held financial asset amounted to approximately HK\$51,049,000 which are listed securities on Hong Kong market.

Listed securities with market value exceeding HK\$10,000,000 as at 31 March 2018 are as follows:

Hong Kong market	Company	Industry/sector	Number of shares held	Approx. percentage of shareholdings	Fair Value Gain/(Loss) for the period ended 31 March 2018 (HK\$)
Main Board	China Fortune Financial Group Limited	Financials/Other Financials	95,652,000	1.35%	(2,296,000)
GEM Board	Madison Holdings Group Limited	Consumer Goods/ Food & Beverages	8,668,000	0.22%	607,000

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$18,893,000 (three months ended 31 March 2017: approximately HK\$15,449,000), representing an increase of approximately 22.3% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$13,782,000 (three months ended 31 March 2017: approximately HK\$11,985,000), representing an increase of approximately 15.0% as compared with the last corresponding period. The increase of cost of sales was in line with the increase of revenue during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$10,434,000 (three months ended 31 March 2017: approximately HK\$15,153,000), representing a decrease of approximately 31.1% as compared with the last corresponding period. This decrease was mainly due to decrease of share based payment of approximately HK\$2,055,000 and legal and professional fees of approximately HK\$1,859,000.

Finance costs for the Reporting Period was approximately HK\$3,716,000 (three months ended 31 March 2017: approximately HK\$2,669,000), representing an increase of approximately 39.2% as compared with the last corresponding period. The increase was mainly due to increase of interest paid and payable for the secured loans and margin loans.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$102,000 (three months ended 31 March 2017: approximately HK\$25,848,000). The basic loss per share of the Company for the Reporting Period was HK0.0017 cents (three months ended 31 March 2017: HK0.4308 cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources, borrowings and placing of new shares. At 31 March 2018, the cash and cash equivalents of the Group was approximately HK\$79,219,000 (31 December 2017: approximately HK\$5,111,000).

At 31 March 2018, the net assets of the Group was approximately HK\$415,834,000 (31 December 2017: approximately HK\$320,233,000) and the net current assets was approximately HK\$119,438,000 (31 December 2017: approximately HK\$23,669,000).

Capital Structure

As at 31 March 2018, the Company's issued ordinary share capital was HK\$146,071,049.76 divided into 7,303,552,488 ordinary shares of HK\$0.02 each ("Share(s)") (31 December 2017: HK\$122,071,049.76 divided into 6,103,552,488 Shares).

Fund Raising Activities

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. The directors of the Company considered the JV Company is the subsidiary of the Company in accordance with HKFRS10 Consolidated Financial Statement.

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

On 29 May 2015, the Company, the JV Company, Yardley and Rich Best Asia Limited (the "Vendor") entered into the sale and purchase agreement (the "Sale and Purchase Agreement") pursuant to which (i) the Vendor has agreed to sell and the JV Company has agreed to purchase entire equity interest in China Smart Asia Limited, a subsidiary of Chinese Strategic Holdings Limited ("Chinese Strategic"), which the shares of Chinese Strategic are listed on the GEM of the Stock Exchange (stock code: 8089); and (ii) the Vendor has agreed to assign the JV Company, and the JV Company has agreed to accept the assignment of sale loan at an aggregate consideration of HK\$93,000,000, which shall be settled and discharged by the JV Company in accordance with the time, mode and manner set out under the Sale and Purchase Agreement: (i) forthwith upon the execution of the Sale and Purchase Agreement, the JV Company and Yardley shall jointly and severally pay the sum of HK\$20,000,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor as deposit (the "Deposit"), and the Deposit shall be applied for partial payment of the consideration at completion; (ii) the JV Company and Yardley shall jointly and severally pay a further sum of HK\$26,500,000 either in cash or by cashier order to Chinese Strategic for and on behalf of the Vendor for partial payment of the balance of the consideration at completion; and (iii) the remaining balance of the consideration in the sum of HK\$46,500,000 shall be settled and discharged by the Company's issuance to the Vendor (or any nominee of the Vendor) (i) the convertible bonds ("Convertible Bond-III") in the principal amount of HK\$23,000,000; and (ii) the convertible bonds ("Convertible Bond-IV") in the principal amount of HK\$23,500,000 at completion.

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

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

Further details of the issue of convertible bonds as a consideration of an acquisition are set out in the announcements of the Company dated 29 May 2015, 20 August 2015 and the circular of the Company dated 27 July 2015. 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. The amount remained outstanding after expiry and the Company has agreed with the Convertible Bond III holder to pay an interest of 5% per annum from 1 April 2017 up to the date of settlement. The amount was fully settled with interest on 29 March 2018.

Placing of new shares

On 20 February 2018, the Company entered into the placing agreement with a placing agent, it is propose that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at HK\$0.08334 per placing shares ("Placing I"), and the placing agent has agreed to procure subscriptions for the placing shares. The maximum gross proceeds from the Placing I will be approximately HK\$100,008,000. Details are set out in the announcement issued by the Company dated 20 February 2018.

On 9 March 2018, the Company announced to terminate Placing I and will be replaced by a new placing agreement with a placing agent. It is proposed that the placing agent would propose to offer for subscription of 1,200,000,000 placing shares at the placing price of HK\$0.083 per placing share. The maximum gross proceeds from the placing were approximately HK\$99,600,000 and the net proceeds after deducting the placing commission and other relevant expenses were approximately HK\$96,900,000. Further details of the placing are set out in the announcements of the Company dated 9 March 2018 and 29 March 2018.

The net proceeds from placing were used as follows:

Period under review	Aggregate amount used during the period under review	Purpose of usage	Remaining balance of placing proceeds as the last date of the period under review
Since completion of placing on 29 March 2018 up to and including 31 March 2018	Nil	Redemption of Convertible Bond	HK\$23.5 million
	HK\$23.9 million	Repayment of other debts	Nil
	Nil	Partial repayment of loan	HK\$44.5 million
	Nil	General working capital	HK\$5.0 million

Significant Investments, Acquisitions and Disposal

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 authorize 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.

On 2 January 2018, the Company announced that the Acquisition was terminated as certain conditions precedent of the Sale and Purchase Agreement have not fulfilled or waived by the long stop date. As a result, the Company also announced that the Placing was terminated accordingly.

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\$20,000,000 of the above part payment has been paid.

On 17 January 2018, the parties had entered into a second supplemental agreement whereas the timing of payment of the balance of HK\$35,000,000 was extended from 17 January 2018 to 17 January 2019.

Charges on Group's Assets

As at 31 March 2018, the Group had charges on one of its investment properties to obtain a mortgage financing from a bank in Taiwan of approximately HK\$9,169,000 (31 December 2017: HK\$9,233,000). Investments held for trading have been pledged to brokers' account to obtain a margin loan financing of approximately HK\$35,448,000 (31 December 2017: HK\$20,022,000).

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\$49,988,000 (31 December 2017: HK\$47,956,000).

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

Capital Commitments

As at 31 March 2018, the Group had capital commitment amounting to approximately HK\$35,000,000 (31 December 2017: HK\$35,000,000).

Exposure to Fluctuation 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.

OUTLOOK AND PROSPECTS

Looking ahead, the global economic activities are expected continue to strengthen in 2018. Benefit from economic growth in PRC, a firm US economy and low interest rate, the Hong Kong economic outlook in 2018 is still optimistic. However, the Group continues to allocate resources carefully in different business segments to optimize the investment strategies.

One-stop value chain services

The Group noticed that the performance of this segment was better than previous year. Nevertheless, the Group is still working on improvement plan. We expect that this business segment will continue contribute to the Group's revenue and gross profit.

Property investment

The Group entered into an agreement to consolidate its interest in a commercial property in Shenzhen City, Guangdong Province, the PRC last year. Upon completion, the Group will wholly own 8 commercial units of a total gross floor area of approximately 1,690 sq.m. The Group will continue monitor its property investment portfolio and grasp the opportunity to be benefited from the potential capital gain of the assets together but also balance with enhanced rental yields.

Trading of consumables and agricultural products

The business segment for trading of consumables and agricultural products was mainly composed of re-usable bags trading business. The business segment demonstrates huge potential and the Group is optimistic about its future contribution.

Trading of grocery food products

Since the Group has decided not to renew the sale distributorship agreements with respective principals of Mengniu and Jinlongyu products, the Group will focus its resources on Nittin brand of ramen and udon products in this segment.

Provision of money lending services

The Group's money lending services segment continue to make stable contribution to the Group's revenue. The Group will continue its tight credit control policy and look to further expand this business segment if and when financial resources are available.

Provision of financial services

The Group has now 2 licensed subsidiaries providing asset management and advising on corporate finance services. With the relatively optimistic outlook in Hong Kong in 2018, the Group is confident that this segment will continue to grow and make positive contribution to the Group's revenue and profit.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2018, 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 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2018
So David Tat Man	13 July 2015	0.212	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

Name	Date of grant	Exercise price per Share (HK\$)	Exercisable period	Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 31 March 2018
Lai Yick Fung (Note)	13 July 2015	0.212	14 July 2017 – 13 July 2018	5,000,000	-	-	5,000,000	-
	12 September 2016	0.11	13 September 2016 – 12 September 2019	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	-
Ng Cheuk Fan, Keith	13 July 2015	0.212	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 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 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

Note: Resigned as executive director with effect from 30 March 2018.

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 31 March 2018, 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)	Total	Approximate percentage of the issued share capital (Note 1)
Yardley Finance Limited (Note 2)	–	430,800,000	430,800,000	5.90%
Chan Kin Sun (Note 2)	–	430,800,000	430,800,000	5.90%
Sun Hui	395,840,000	–	395,840,000	5.42%

Notes:

- As at 31 March 2018, the Company's issued ordinary share capital was HK\$146,071,049.76 divided into 7,303,552,488 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.

Save as disclosed above, the Company is not aware of any other person, other than a director or the chief executive of the Company, who held interests or short positions in the shares and underlying shares of the Company as at 31 March 2018 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 39,000,000 Shares were lapsed. As at 31 March 2018, options to subscribe for 364,625,000 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 the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Ms. Yuen Wai Man (Chairman), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min.

The unaudited condensed consolidated financial results of the Group for the three months ended 31 March 2018 have been reviewed by the members of the Audit Committee.

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

Hong Kong, 14 May 2018

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