



中國農業生態有限公司 China Eco-Farming Limited

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

Third Quarterly Report
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 referred to as the “Group”) recorded an unaudited revenue of approximately HK\$47,592,000 for the nine months ended 30 September 2018 (the “Reporting Period”), representing an increase of approximately 7.5% as compared with approximately HK\$44,252,000 for the last corresponding period.

The unaudited loss for the period attributable to owners of the Company for the Reporting Period was approximately HK\$41,590,000 (nine months ended 30 September 2017: HK\$60,393,000). The basic loss per share of the Company for the nine months ended 30 September 2018 is 0.60 HK cents (nine months ended 30 September 2017: 1.00 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 2018 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	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Revenue	3	11,845	13,832	47,592	44,252
Cost of sales		(7,623)	(10,350)	(32,096)	(34,027)
Gross profit		4,222	3,482	15,496	10,225
Other revenue	3	1,458	550	4,873	1,194
Selling and distribution expenses		(335)	(335)	(867)	(1,081)
Administrative expenses		(11,768)	(13,778)	(35,236)	(42,840)
Finance costs	4	(2,191)	(1,963)	(7,690)	(6,854)
Gain/(loss) on disposal of financial assets at fair value through profit or loss		(6,431)	1,246	(5,147)	(6,297)
Gain on disposal of plant and equipment		–	4	–	228
Decrease in fair value of investment properties, net		(1,086)	–	(1,086)	–
Loss on disposal of interest in a subsidiary		–	–	–	(764)
Share of results of associates		(915)	868	(883)	2,333
Decrease in fair value of financial assets at fair value through profit or loss		(5,880)	(10,819)	(9,838)	(19,287)
Loss before taxation		(22,926)	(20,745)	(40,378)	(63,143)
Taxation	5	(144)	(184)	(302)	1,844
Loss for the period		(23,070)	(20,929)	(40,680)	(61,299)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Loss for the period		(23,070)	(20,929)	(40,680)	(61,299)
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		(3,113)	(133)	(3,381)	(3,077)
Exchange differences arising on translation of foreign operations		(1,484)	(751)	1,712	(489)
Total comprehensive expense for the period		(27,667)	(21,813)	(42,349)	(64,865)
Gain/(loss) for the period attributable to:					
– Owners of the Company		(23,375)	(20,297)	(41,590)	(60,393)
– Non-controlling interests		305	(632)	910	(906)
		(23,070)	(20,929)	(40,680)	(61,299)
Total comprehensive expense for the period attributable to:					
– Owners of the Company		(25,448)	(21,098)	(42,031)	(64,010)
– Non-controlling interests		(2,219)	(715)	(318)	(855)
		(27,667)	(21,813)	(42,349)	(64,865)
LOSS PER SHARE	7				
Basic and diluted (<i>HK cents</i>)		(0.32)	(0.33)	(0.60)	(1.00)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018 (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	Other reserve \$'000	Accumulated losses \$'000	Total \$'000	Non-controlling interests \$'000	Total \$'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	-	-	-	-	-	-	-	-	(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
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	-	-	-	-	-	-	-	-	(41,590)	(41,590)	910	(40,680)
Other comprehensive income (expense) for the period:												
Fair value change of available-for-sale investments	-	-	-	(3,381)	-	-	-	-	-	(3,381)	-	(3,381)
Exchange difference arising on translating foreign operations	-	-	-	-	-	2,940	-	-	-	2,940	(1,228)	1,712
Total comprehensive expense for the period	-	-	-	(3,381)	-	2,940	-	-	(41,590)	(42,031)	(318)	(42,349)
Placing of new shares	24,000	72,909	-	-	-	-	-	-	-	96,909	-	96,909
Issue of shares upon settlement of contingent consideration	55	305	-	-	-	-	-	-	152	512	-	512
Recognition of equity-settled share based payments	-	-	-	-	2,527	-	-	-	-	2,527	-	2,527
Share option lapsed during the period	-	-	-	-	(5,191)	-	-	-	5,191	-	-	-
Expiration of conversion option of convertible bonds	-	-	(5,699)	-	-	-	-	-	5,699	-	-	-
At 30 September 2018	146,126	489,623	-	1,683	16,163	(383)	6,026	(764)	(315,906)	342,568	35,264	377,832



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 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 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\$.

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

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 nine months ended 30 September 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 three months and nine months ended 30 September 2018 is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue:				
One-stop value chain services	5,567	3,427	25,672	8,117
Rental income (note (i))	1,073	946	4,264	2,551
Trading of grocery food products	1,329	6,512	4,452	24,820
Trading of consumables and agricultural products	1,259	1,511	4,018	4,468
Provision of money lending services (note (ii))	1,401	1,436	4,282	4,296
Provision of financial services	1,216	–	4,904	–
	11,845	13,832	47,592	44,252
Other revenue (note (iii))	1,458	550	4,873	1,194
	13,303	14,382	52,465	45,446

Notes:

(i) Rental income

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Gross rental income	1,073	946	4,264	2,551
Less: outgoings (included in cost of sales)	(304)	(23)	(694)	(65)
Net rental income	769	923	3,570	2,486

(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 2018 (nine months ended 30 September 2017: HK\$144,000), charged to Mr. Au Yeung Po Leung ("Mr. Au Yeung"), an former executive director of the Company who 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 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income (note (iv))	993	379	3,477	539
Sundry income	465	171	1,396	655
	1,458	550	4,873	1,194

(iv) *Interest income*

Included in interest income for the nine months ended 30 September 2018 was approximately HK\$3,476,000 (nine months ended 30 September 2017: HK\$547,000) 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\$22,495,000 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, both of loans were 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank borrowings	43	281	141	604
Interest on loan payable (Note (i))	347	595	2,855	687
Interest on margin loan payable	997	597	2,881	1,485
Effective interest expense on convertible bonds	804	490	1,813	4,078
	2,191	1,963	7,690	6,854

Note:

(i) Interest on loan payable

Included in interest on loans payable were interest expenses of approximately HK\$3,000 for the nine months ended 30 September 2018 (nine months ended 30 September 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 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax	144	184	302	407
Deferred tax	–	–	–	(2,251)
Income tax credit recognised in profit or loss	144	184	302	(1,844)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the three months and nine months ended 30 September 2018 and 2017.

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 2018 and 2017 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 2018 and 2017.

6. Dividend

The Board does not recommend any payment of interim dividend for the nine months ended 30 September 2018 (2017: 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 2018 and 2017 is based on the following data.

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Unaudited loss attributable to owners of the Company for the purposes of basic and diluted loss per share (HK\$'000)	(23,375)	(20,297)	(41,590)	(60,393)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	7,304,938,395	6,081,054,257	6,921,601,951	6,037,319,040

Diluted loss per share is the same as basic loss per share for the three months and nine months ended 30 September 2018. The computation of diluted loss per share does not assume (i) the conversion of the Company's outstanding convertible bonds as at 30 September 2018; (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 2018, 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 2018.

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 the conversion of the Company's outstanding convertible bonds as at 30 September 2017 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 2017.

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 30 September 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 nine months ended 30 September 2018 (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\$25,672,000 (nine months ended 30 September 2017: HK\$8,117,000) representing an increase of approximately 216.3% as compared with the last corresponding period. The increase was due to more resources was allocated to this segment.


Property Investment

During the Reporting Period, the property investment segment reported revenue of approximately HK\$4,264,000 (nine months ended 30 September 2017: HK\$2,551,000). At 30 September 2018, the Group held properties in the People’s Republic of China (the “PRC”), Taiwan and Hong Kong for investment purpose amounted to approximately HK\$165,605,000 (31 December 2017: HK\$169,173,000).

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 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\$4,452,000 (nine months ended 30 September 2017: HK\$24,820,000), representing a decrease of approximately 82.1% 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 revenue of approximately HK\$4,018,000 (nine months ended 30 September 2017: HK\$4,468,000), representing a decrease of approximately 10.1% as compared with last corresponding period.

Provision of money lending services

During the Reporting Period, this segment reported a revenue of approximately HK\$4,284,000 (nine months ended 30 September 2017: HK\$4,296,000), representing a decrease of approximately 0.3% as compared with the last corresponding period. 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, this segment reported a revenue of approximately HK\$4,904,000 (nine months ended 30 September 2017: nil), 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.

Securities investments

The Group had available-for-sale investments and financial assets at fair value through profit or loss in aggregate of approximately HK\$78,540,000 as at 30 September 2018, representing approximately 15.69% of the Company's total assets (31 December 2017: approximately HK\$99,508,000, representing approximately 20.27% of the Company's total assets).

The Company's investment strategy is to invest in securities that have growth potential, with the aims to capture capital appreciation and diversify the Company's investment portfolio (as detailed below) in order to reduce concentration of investment risks in one industry and maximise value for the Shareholders. The composition of the investment portfolio may change from time to time during the coming year. In order to mitigate the possible financial risks related to the equities, the investment portfolio will be monitored regularly and appropriate actions would be taken whenever necessary in a prudent manner in response to changes in market situation. Below is additional information in relation to the significant investments with market value exceeding HK\$10,000,000 as at 30 September 2018 and 31 December 2017:

For the nine months ended 30 September 2018 and year ended 31 December 2017

Name of investee company	Investment cost		Number of shares held		% of shareholding		Market value		% of market value to the Group's total assets		Change in fair value		Gain/(loss) on disposal		Dividends received	
	For the nine months ended 30 September 2018	For the year ended 31 December 2017	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017	As at 30 September 2018	As at 31 December 2017	For the nine months ended 30 September 2018	For the year ended 31 December 2017	For the nine months ended 30 September 2018	For the year ended 31 December 2017	For the nine months ended 30 September 2018	For the year ended 31 December 2017
	Approximately HK\$'000				Approximately		Approximately HK\$'000		Approximately		Approximately HK\$'000		Approximately HK\$'000		Approximately HK\$'000	
Financial assets at fair value through profit or loss																
China Fortune Financial Group Limited (Note 7)	-	33,478	-	104,620,000	NA	1.48%	-	17,681	-%	3.60%	-	(15,798)	(5,860)	(1,478)	-	-
Madison Holdings Group Limited (Note 2)	10,192	18,402	5,940,000	8,680,000	0.14%	0.22%	9,536	14,843	1.90%	3.02%	(654)	(3,559)	(944)	-	-	-
Others (Note 2 and Note 7)	25,679	9,068	NA	NA	NA	NA	16,497	7,804	3.30%	1.59%	(9,182)	(1,264)	404	(5,689)	257	20
	35,871	60,948					26,033	40,328	5.20%	8.21%	(9,836)	(20,621)	(5,870)	(7,168)	257	20
Available-for-sale investments																
China Industrial Securities International Financial Group Limited (Note 4)	9,708	13,000	9,992,451	13,380,451	0.25%	0.33%	11,991	18,064	2.27%	3.69%	1,683	5,064	723	-	401	268
Anhui Damingwan Tourism Development Company Limited* (安徽大明湖旅游发展有限公司) (Note 5)	41,744	41,744	13,250,000	11,250,000	4.99%	4.99%	40,005	40,005	8.00%	8.13%	-	-	-	-	-	-
Others (Note 6)	1,144	1,144	NA	NA	NA	NA	1,111	1,111	0.22%	0.23%	-	-	-	-	-	-
	52,596	55,888					52,907	59,180	10.49%	12.06%	1,683	5,064	723	-	401	268
Total	88,467	116,836					78,540	99,508	15.69%	20.27%	(8,153)	(15,557)	(5,147)	(7,168)	658	288



Notes:

1. China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange, together with its subsidiaries are principally engaged in securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.
 2. Madison Holdings Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in (i) the retail sales and wholesales of a wide spectrum of wine products and other alcoholic beverages in Hong Kong with a focus on red wine; and (ii) the provision of financial services.
 3. These are all listed companies on the Stock Exchange for the nine months ended 30 September 2018 and as at 30 September 2018, together with their subsidiaries are mainly engaged in provision of financial services such as securities and brokerage trading as well as provision of loans and financing services. There are also companies engaging in printing and packaging industry, equine services, building fire safety services, and asphalt plants industry.
 4. China Industrial Securities International Financial Group Limited, a company listed on the GEM of the Stock Exchange, together with its subsidiaries are principally engaged in the provision of brokerage services, loans and financing services, investment banking services, asset management services and financial products and investments.
 5. Anhui Damingyuan Tourism Development Company Limited* (安徽大明園旅遊發展股份有限公司), a company listed on Shanghai Equity Exchange in the PRC until 28 February 2018, which is principally engaged in development of tourism resources business. For details, please refer to the announcements of the Company dated 19 July 2016 and 31 August 2016.
 6. This is another listed company on Shanghai Equity Exchange in the PRC which is principally engaged in selling comfort shoes and insoles, as well as foot related products.
 7. These are all listed companies on the Stock Exchange for the year ended 31 December 2017 and as at 31 December 2017, together with their subsidiaries are mainly engaged in the financial industry such as securities trading, provision of financial guarantee services and loans financing business. There are also companies engaging in properties investments, motor trading industry and internet technology related service industry.
- * For identification purposes only



FINANCIAL REVIEW

During the Reporting Period, the Group recorded an unaudited revenue of approximately HK\$47,592,000 (nine months ended 30 September 2017: HK\$44,252,000), representing an increase of approximately 7.5% as compared with the last corresponding period.

Cost of sales for the Reporting Period amounted to approximately HK\$32,096,000 (nine months ended 30 September 2017: HK\$34,027,000), representing a decrease of approximately 5.7% as compared with the last corresponding period. The decrease was in line with the increase in gross profit during the Reporting Period.

Administrative expenses for the Reporting Period amounted to approximately HK\$35,236,000 (nine months ended 30 September 2017: HK\$42,840,000), representing a decrease of approximately 17.7% as compared with the last corresponding period. This decrease was mainly due to decrease of share based payment of approximately HK\$5,116,000 and decrease of legal and professional fees of approximately HK\$2,713,000.

Finance costs for the Reporting Period was approximately HK\$7,690,000 (nine months ended 30 September 2017: HK\$6,854,000), representing an increase of approximately 12.2% 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\$41,590,000 (nine months ended 30 September 2017: HK\$60,393,000). The basic loss per share of the Company for the nine months ended 30 September 2018 is 0.60 HK cents (nine months ended 30 September 2017: 1.00 HK cents).

Liquidity and Financial Resources

During the Reporting Period, the Group financed its business operations mainly with its internally generated resources and borrowings. At 30 September 2018, the bank balances and cash of the Group was approximately HK\$27,728,000 (31 December 2017: approximately HK\$5,111,000).

At 30 September 2018, the net assets of the Group was approximately HK\$377,832,000 (31 December 2017: HK\$320,233,000) and the net current assets was approximately HK\$95,949,000 (31 December 2017: HK\$23,669,000).



Capital Structure

As at 30 September 2018, the Company's issued ordinary share capital with an aggregate nominal value of HK\$146,126,486.02 is divided into 7,306,324,301 ordinary shares of HK\$0.02 each ("Shares") (31 December 2017: HK\$122,071,049.76 divided into 6,103,552,488 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. 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.

Conversion Bond IV expired on 30 September 2018 and the Company received a redemption notice from the Convertible Bond IV holder for the principal amount of HK\$23,500,000. The amount remained outstanding after expiry.

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 30 September 2018	Nil	Redemption of Convertible Bond	HK\$23.5 million
	HK\$23.9 million	Repayment of other debts	Nil
	HK\$44.5 million	Partial repayment of loan	Nil
	HK\$5.0 million	General working capital	Nil

Charges on Group's Assets

As at 30 September 2018, 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\$8,424,000 (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\$20,193,000 (31 December 2017: HK\$20,022,000). Further, the Group had charges on certain investment properties in the PRC and Hong Kong to obtain term loans from money lenders in Hong Kong of approximately HK\$40,000,000 (31 December 2017: HK\$47,484,000).

Contingent Liabilities

As at 30 September 2018, the Group did not have any material contingent liabilities (31 December 2017: nil).

Capital Commitments

As at 30 September 2018, the Group had capital commitment amounting to approximately HK\$20,000,000 (31 December 2017: HK\$35,000,000).



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

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.

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. HK\$20,000 of the above 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. As at the date of this report, HK\$15,000,000 of above payment has been paid.

Disposal of an investment property

On 10 August 2018, 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 RMB2,976,000 (equivalent to approximately HK\$3,568,000) as at 31 December 2017. Such property was classified as investment properties in the consolidated statement of financial position as at 31 December 2017. The transaction was completed on 10 August 2018 with a loss of disposal between the sale proceed over the cost of acquisition of approximately HK\$1,086,000.

OUTLOOK

Looking ahead, the global economy was clouded by trade wars and trade protectionism. Local economy, stock market and economic growth are likely to be affected. However, the Group will continue allocating its resources carefully in different business segments as to optimize its investment returns.

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 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 30 September 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 30 September 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
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

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 30 September 2018
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

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 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 (Corporate Interests)	Number of underlying shares of the Company	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%

Notes:

1. As at 30 September 2018, the Company's issued ordinary share capital was HK\$146,126,486.02 divided into 7,306,324,301 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 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 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 100,375,000 Shares were lapsed, and none was granted nor cancelled. As at 30 September 2018, options to subscribe for 303,250,000 Shares remained outstanding.

CHANGE IN INFORMATION OF DIRECTOR

Mr. Zhang Min, an independent non-executive director of the Company, was appointed as an executive director of Value Convergence Holdings Limited, a company listed on the Main Board of the Stock Exchange with effect from 25 June 2018; and resigned as an executive director of Junefield Department Store Group Limited, a company listed on the Main Board of the Stock Exchange with effect from 22 August 2018.

Save as disclosed above, there is no other change in the Directors information required to be disclosed pursuant to rule 17.50A(1) of the GEM Listing Rules since the date of the annual report of the Company for the year ended 31 December 2017 up to the date of this interim report.

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, 12 November 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.