THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stock broker, or other licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Eco-Farming Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stock broker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

(1) THE JV FORMATION AND THE PROPOSED SHAREHOLDERS' AGREEMENT;

(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHINA SMART ASIA LIMITED INVOLVING THE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to
the Independent Board Committee and Independent Shareholders

八方金融有限公司
OCTAL Capital Limited

A notice convening a special general meeting of the Company (the "**SGM**") to be held at 25/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong on Thursday, 13 August 2015 at 11:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the offices of the Company's branch share registrar in Hong Kong, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

This circular will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for seven days from the date of its posting and on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html.

27 July 2015

CHARACTERISTICS OF GEM

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

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

CONTENTS

In this circular, unless the context otherwise requires, capitalised terms used shall have the following meanings:

"Acquisition"	the acquisition of the Sale Share by the Purchaser from the Vendor and the assignment of the Sale Loan by the Vendor to the Purchaser pursuant to the Sale and Purchase Agreement
"Agreed Proportions"	the proportions that the total number of the issued shares of the JV Company held by each of the JV Shareholders respectively (at the time of determination of the Agreed Proportions) bears to the total number of the issued shares of the JV Company
"Benchmark Value"	means the deficit (or negative) amount of HK$20,000,000
"Board"	the board of Directors
"Business Day(s)"	a day on which banks in Hong Kong are open for normal banking business (excluding Saturdays, Sundays and any day on which a tropical cyclone warning no. 8 or above or a "black" rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
"China Smart"	China Smart Asia Limited, a company of limited liability incorporated in Hong Kong and is wholly owned by Chinese Strategic at the Latest Practicable Date
"Chinese Strategic"	Chinese Strategic Holdings Limited, a company of limited liability incorporated in Bermuda whose issued shares are listed on the GEM of the Stock Exchange of Hong Kong Limited (stock code: 8089)
"CB Instruments"	CB Instrument A and CB Instrument B
"CB Instrument A"	the bond instrument of the Convertible Bonds A
"CB Instrument B"	the bond instrument of the Convertible Bonds B

"Company"	China Eco-Farming Limited, a company continued into Bermuda with limited liability, the shares of which are listed on GEM
"Completion"	completion of the Acquisition and transactions contemplated under the Sale and Purchase Agreement in accordance with its terms
"Completion Account"	the audited consolidated account of the Target Company for the period from 1 January 2015 to the Completion Date prepared by SHINEWING (HK) CPA Limited
"Completion Date"	the date on which the Completion takes place, which shall be any Business Day falling within five (5) Business Days after satisfaction and/or fulfilment of all the conditions precedent pursuant to the Sale and Purchase Agreement
"Completion NAV"	the consolidated net asset value of the Target Company as at the Completion Date
"Consideration"	the aggregate sum of HK$93,000,000 to be paid by the Purchaser to the Vendor for the Acquisition
"Conversion Price"	HK$0.25 per Conversion Share initially (subject to adjustment pursuant to the terms of the Convertible Bonds)
"Conversion Share(s)"	up to 186,000,000 new Share(s) to be allotted and issued to the holder of the Convertible Bonds upon any exercise of the conversion rights at the initial Conversion Price under and pursuant to the Convertible Bonds
"Convertible Bonds"	the Convertible Bonds A and the Convertible Bonds B
"Convertible Bonds A"	the zero-coupon convertible bond in the principal amount of HK$23,000,000 proposed to be issued by the Company to the Vendor (or his direct or indirect wholly owned company) pursuant to the Sale and Purchase Agreement

"Convertible Bonds B"	the zero-coupon convertible bond in the principal amount of HK$23,500,000 proposed to be issued by the Company to the Vendor (or his direct or indirect wholly owned company) pursuant to the Sale and Purchase Agreement
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group immediately upon Completion
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee comprising Mr. Ng Cheuk Fan, Keith, Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min, all being independent non-executive Directors, established by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition and the transactions contemplated under the Sale and Purchase Agreement
"Independent Financial Adviser"	Octal Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds)

"Independent Shareholder(s)"	the Shareholders and/or their respective associates other than those who are required under the GEM Listing Rules to abstain from voting at the special general meeting of the Company for approval of the proposed Shareholders' Agreement and the Acquisition and other transactions contemplated thereunder, and other than those persons who have material interest in the proposed Shareholders' Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Independent Third Party(ies)"	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associate
"JV Articles"	the articles or memorandum and articles of association (if applicable) adopted by the JV Company and as from time to time amended, varied, supplemented or replaced
"JV Business"	the business from time to time carried on by the JV Company and/or the JV Group in accordance with the provisions of the Shareholders' Agreement, which includes the business of investment holding and/or such other business as may be determined by the board of directors of the JV Company from time to time
"JV Company" or "Purchaser"	Delightful Hope Limited, a company incorporated in the British Virgin Islands with limited liability
"JV Formation"	formation of the JV Company and the JV Partners becoming partners to the JV Company
"JV Group"	the JV Company and every direct or indirect subsidiary of the JV Company from time to time, or any of them as the context requires
"JV Group Company"	any direct or indirect subsidiary of the JV Company

"JV Partners"	Yardley and Skyline
"JV Shares"	ordinary shares of US$1.00 each in the share capital of the JV Company and having the rights as set out in the JV Articles
"JV Shareholders"	As at the Latest Practicable Date, the JV Partners, and in other circumstances, the holders of the JV Shares from time to time who (i) are parties to the Shareholders' Agreement and/or (ii) have entered into a deed of adherence in respect of such JV Shares
"Last Trading Day"	29 May 2015, being the last trading day immediately before the entering into of the Sale and Purchase Agreement
"Latest Practicable Date"	24 July 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Maturity Dates"	31 March 2017, being maturity date of the Convertible Bonds A, and 30 September 2018, being the maturity date of the Convertible Bonds B, respectively
"PRC"	the People's Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Company"	Shenzhen Shengshi Fuqiang Technology Co., Ltd.（深圳市盛世富強科技有限公司）, a company of limited liability incorporated in PRC, is the wholly-owned subsidiary of the Target Company, and the sole legal and beneficial owner of the Properties as at the Latest Practicable Date
"Properties"	(i) commercial premises situate at Suites A to H on the 33rd floor (otherwise known as suites 33A to 33H) of Shidai-Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC; and (ii) a residential house situate at land lot no. G17102-16 Shuitousha Village, Nanao Town, Longgang District, Shenzhen City, Guangdong Province, PRC

"Sale and Purchase Agreement"	the sale and purchase agreement dated 29 May 2015 entered into between the Purchaser, the Vendor, the Company and Yardley in relation to the Acquisition
"Sale Loan"	the amount of HK$120,203,956 indebted by the Target Company to the Vendor as at 31 December 2014, and as at Completion, the entire amount due and owing by the Company to the Vendor shall not exceed HK$126,000,000 pursuant to the Sale and Purchase Agreement
"Sale Share"	1 ordinary share of HK$1.00 in the share capital of the Target Company, representing the entire issued share capital in the Target Company as at the date of the Sale and Purchase Agreement
"SGM"	the special general meeting of the Company to be convened and held to consider and approve, among other things, (i) the proposed Shareholders' Agreement, (ii) the Sale and Purchase Agreement, the transactions contemplated thereunder and the Specific Mandate for the issuance of the Conversion Shares
"Share(s)"	ordinary share(s) of HK$0.02 each in the issued share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Agreement"	the shareholders' agreement for the JV Company to be entered into by the JV Partners and the JV Company forthwith upon obtaining the relevant approval of the Shareholders
"Skyline"	Skyline Top Limited, a company of limited liability incorporated in British Virgin Islands and is wholly owned by the Company at the Latest Practicable Date
"Specific Mandate"	refers to the specific mandate to be granted to the Directors to allot, issue and deal with the Conversion Shares at the SGM

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	the Code on Takeovers and Mergers and Share Repurchases published by the Securities and Futures Commission
"Target Company"	China Smart Asia Limited, a company of limited liability incorporated in Hong Kong and is wholly owned by Chinese Strategic as at the Latest Practicable Date
"Target Group"	Target Company and the PRC Company
"Vendor"	Rich Best Asia Limited, a company incorporated in the British Virgin Islands with limited liability
"Yardley"	Yardley Wealth Management Limited, a company incorporated in the British Virgin Islands with limited liability
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of PRC
"US$"	United States dollar(s), the lawful currency of United States of American
"sq.m."	square meters
"%"	per cent.

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

Executive Director:
Mr. So David Tat Man
Mr. Lai Yick Fung

Independent non-executive Directors:
Mr. Ng Cheuk Fan, Keith
Mr. Yick Ting Fai, Jeffrey
Mr. Zhang Min

Registered office:
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Head office and principal place of business in Hong Kong:
25/F., Siu On Centre
188 Lockhart Road, Wanchai
Hong Kong

27 July 2015

To the Shareholders and holders of convertible bonds of the Company

Dear Sir or Madam,

**THE JV FORMATION AND
THE PROPOSED SHAREHOLDERS' AGREEMENT; AND**

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO THE ACQUISITION OF
THE ENTIRE EQUITY INTEREST IN CHINA SMART ASIA LIMITED
INVOLVING THE ISSUE OF CONVERTIBLE BONDS
UNDER SPECIFIC MANDATE**

INTRODUCTION

Reference is made to the announcement of the Company dated 29 May 2015 in relation to, the (i) JV Formation and the proposed Shareholders' Agreement; and (ii) Acquisition.

On 28 May 2015 (after trading hours), Skyline, a wholly owned subsidiary of the Company, and Yardley became partners to the JV Company for the purpose of the Acquisition. Upon the JV Formation, the JV Partners and the JV Company have agreed to make provision for the management and administration of the JV Company's affair, and set out their respective obligations and rights on the terms and conditions set out in the proposed Shareholders' Agreement. The Shareholders' Agreement shall be executed forthwith upon obtaining the Shareholders' approval in respect of the Shareholders' Agreement.

On 29 May 2015 (after trading hours), the Company, the JV Company as the Purchaser, Yardley, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Share, and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to accept the assignment of, the Sale Loan.

The Acquisition (involving the issue of the Convertible Bonds) constitutes a major and a connected transaction of the Company under Rule 19.06 and Chapter 20 of the GEM Listing Rules and is subject to, among other things, the Independent Shareholders' approval at the SGM. As the Vendor is a wholly-owned subsidiary of Chinese Strategic, a substantial shareholder of the Company, Chinese Strategic and/or its associates are regarded as having material interest in the Acquisition and they are required to abstain from voting on the resolution proposed to be passed at the SGM for approving the (i) proposed Shareholders' Agreement and (ii) Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds).

The purpose of this circular is to provide you with, among others things, (i) further information on the proposed Shareholders' Agreement (ii) further information on the Acquisition; (iii) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of the Acquisition; (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice to them in respect of the Acquisition; (v) the valuation report of the Properties; and (vi) the notice of SGM.

(I) THE JV FORMATION AND THE SHAREHOLDERS' AGREEMENT

The Board is pleased to announce that on 28 May 2015 (after trading hours), Skyline, a wholly owned subsidiary of the Company, and Yardley became partners to the JV Company for the purpose of the Acquisition. Through the establishment of the JV Company, and the partnership with Yardley, the Company would be able to better utilize and allocate its financial resources more effectively for the Acquisition without any immediate cash outlay and impact on the financial position of the Group.

As at the Latest Practicable Date, the JV Company is a joint venture company and a non-wholly owned subsidiary of the Company. The JV Company is owned as to 50% by each of the JV Partners, and the registered capital of the JV Company is US$100, which was contributed as to 50% by each of the JV Partners.

Upon the JV Formation, the JV Partners and the JV Company have agreed to make provision for the management and administration of the JV Company's affair, and set out their respective obligations and rights on the terms and conditions set out in the proposed Shareholders' Agreement. The Shareholders' Agreement shall be executed forthwith upon obtaining the Shareholders' approval in respect of the Shareholders' Agreement. Details of the proposed Shareholders' Agreement are set out below.

Parties

(1) Skyline, a wholly-owned subsidiary of the Company

(2) Yardley

(3) Delightful Hope Limited, the JV Company

Establishment and business of the JV Company

Pursuant to the proposed Shareholders' Agreement, the JV Partners and the JV Company agree and confirm that (i) it is the intention of the JV Partners and the JV Company that at all times during the continuance of the Shareholders' Agreement the business of the JV Group shall comprise the JV Business; (ii) each JV Shareholder undertakes to each of the other JV Shareholders to use all reasonable endeavours to promote the interest of the JV Group in connection with the JV Business; and (iii) each JV Shareholder shall keep each other appropriately informed as to and with a view to improving the JV Business and financial position and prospects of the JV Company and/or the JV Group.

Pursuant to the proposed Shareholders' Agreement, each of the JV Shareholders undertakes to the other JV Shareholder(s): (i) to exercise its rights and powers under the Shareholders' Agreement and as a holder of the JV Shares to ensure, so far as it lawfully can, that the provisions of the Shareholders' Agreement are complied with; and (ii) to procure so far as it is able to do so, that any director of the JV Company appointed by it shall so act and vote in relation to the affairs of the JV Company (subject always to the fiduciary duties of such directors of the JV Company to the JV Company) to ensure that the JV Business and all the affairs of the JV Company are carried on in a proper manner and bona fide in the best interests of the JV Company.

Issued capital of the JV Company

As at the Latest Practicable Date, the JV Company is owned as to 50% by each of the JV Partners, and the issued capital of the JV Company is US$100, which was contributed as to 50% by each of the JV Partners.

Board composition and board resolutions

Pursuant to the proposed Shareholders' Agreement, the board of directors of the JV Company shall comprise 3 directors, of which 2 directors shall be appointed by Skyline (including the chairman of the board of directors who shall have a casting vote in case of any equal voting on any resolution of the board of directors of the JV Company) and 1 director shall be appointed by Yardley.

Funding

Pursuant to the proposed Shareholders' Agreement, no JV Shareholders shall be obliged to provide any additional finance or financial assistance to any JV Group Company or to subscribe for any JV Shares or other securities in the JV Company or to make any loans to or transfer any assets to any JV Group Company, nor shall any JV Shareholder have any obligation to guarantee or provide security for any obligations of any JV Group Company or to indemnify any third party in respect of such obligations or liabilities.

Pursuant to the proposed Shareholders' Agreement, the board of directors of the JV Company shall have the discretion to determine if the JV Company requires additional funding to satisfy its existing obligations. And if so, the JV Shareholders may, but are not obliged to, agree to, advance such additional funding in the Agreed Proportions through an interest free (or if approved by the board of directors of the JV Company, interest bearing) shareholder's loan to the JV Company or subscribe for JV Shares in the Agreed Proportions and on the same terms.

Termination

The Shareholders' Agreement shall remain in full force and effect as between all of the JV Company and the JV Shareholders until the earlier of (i) the dissolution of the JV Company or (ii) the agreement of all JV Shareholders that it be terminated.

INFORMATION ABOUT YARDLEY

Yardley is a company incorporated in the British Virgin Islands with limited liability. The principal business of Yardley is equities investments in Hong Kong.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, the ultimate beneficial owner of Yardley is Mr. Chan Kin Sun, who is also the ultimate beneficial owner of Yardley Finance Limited ("**Yardley Finance**"); and Sino Coronet Limited, which is beneficially owned by Mr. So Chi Yuk (the father of Mr. So David Tat Man, an executive Director of the Company), has pledged the convertible bonds issued by the Company in the principal amount of HK$14,000,000, which are convertible into new Shares of the Company at the initial conversion price of HK$0.02, to Yardley Finance. Mr. So Chi Yuk pledged the said convertible bonds to Yardley Finance due to his personal financial arrangement. Save as the said pledge above, to the best knowledge of the Directors, Mr. So Chi Yuk has no other relationship with Mr. Chan Kin Sun and his associates.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed above, Yardley and its associates are independent of the Company and its connected person(s) (as defined in the GEM Listing Rules), therefore no Shareholder is required to abstain from voting at the SGM on the resolution(s) to approve the proposed Shareholders' Agreement.

(II) THE ACQUISITION

The Board is pleased to announce that on 29 May 2015 (after trading hours), the Company, the JV Company as the Purchaser, Yardley, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Share, and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to accept the assignment of, the Sale Loan.

Major terms of the Sale and Purchase Agreement are set out as below:

THE SALE AND PURCHASE AGREEMENT

Date

29 May 2015

Parties

(i) Rich Best Asia Limited as the Vendor;

(ii) Delightful Hope Limited, as the JV Company, a company incorporated in the British Virgin Islands, which is owned as to 50% by each of the JV Partners, and is a non-wholly owned subsidiary of the Company as the Purchaser;

(iii) the Company as the issuer of the Convertible Bonds, and the ultimate owner of 50% interests in the Purchaser; and

(iv) Yardley Wealth Management Limited, owner of the remaining 50% interests in the Purchaser.

(Collectively, the "**Parties**" and each individually a "**Party**" hereunder)

The Vendor is a wholly-owned subsidiary of Chinese Strategic, which was a substantial Shareholder as at the date of the Sale and Purchase Agreement, and thus a connected person of the Company under the GEM Listing Rules at the date of the Sale and Purchase Agreement, and shall abstain from voting at the SGM on the resolution(s) to approve the Sale and Purchase Agreement and the transactions thereunder.

Save as mentioned above, as at the Latest Practicable Date, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder is required to abstain from voting at the SGM on the resolution(s) to approve the Sale and Purchase Agreement and the transactions thereunder.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, (i) the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Share, and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to accept the assignment of, the Sale Loan.

Consideration

The Consideration is HK$93,000,000, which shall be settled and discharged by the Purchaser 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 Purchaser 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 Purchaser 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;

(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 A in the principal amount of HK$23,000,000; and (ii) the Convertible Bonds B in the principal amount of HK$23,500,000 at Completion.

The Consideration was determined after arm's length negotiations between the JV Partners and the Purchaser taking into account (i) the book value of the Properties of HK$138,538,323 as at 31 December 2014; (ii) that the Properties shall be valued at not less than RMB100,000,000, being one of the conditions precedent to the Sale and Purchase Agreement; and (iii) the assignment of the Sale Loan.

Pursuant to the proposed Shareholders' Agreement, the board of directors of the JV Company shall have the discretion to determine if the JV Company requires additional funding to satisfy its existing obligations. And if so, the JV Shareholders may agree to, advance such additional funding in the Agreed Proportions through an interest free (or if approved by the board of directors of the JV Company, interest bearing) shareholder's loan to the JV Company or subscribe for JV Shares in the Agreed Proportions and on the same terms (the "**Agreed Funding**"). Based on the above, as the Company shall be responsible for the issue of the Convertible Bonds in the aggregate principal amount of HK$46.5 million, Yardley shall be responsible for payment of the sum of HK$46.5million either in cash or by cashier order for payment of the Consideration. As at the Latest Practicable Date, the initial deposit of HK$20 million of the Consideration has been paid by Yardley. Pursuant to the proposed Shareholders' Agreement, in the event Yardley fails to contribute additional funding in the Agreed Proportions (the "**Default Funding**"), Skyline Top (the "**Non-defaulting JV Partner**") may at its sole discretion, and among others, (i) require the JV Company to forthwith repay the Non-defaulting JV Partner's Agreed Funding as a shareholder loan with interest and pursuant to the proposed Shareholders' Agreement; (ii) or to subscribe more shares in the JV Company in the amount of the Default Funding.

In light of the above, the Directors consider that the Acquisition is on normal commercial terms, which are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Conditions Precedent

Completion is conditional upon fulfillment or waiver (as the case may be) of the following conditions:

(i) (if required) the shareholders of Chinese Strategic having approved the Acquisition, and all necessary consent, approval and authorisations (if any) by regulators pursuant to the GEM Listing Rules and any other rules and regulations which may be applicable to the Acquisition having been obtained by the Vendor (collectively, the "**Vendor Necessary Approvals**"), and such Vendor Necessary Approvals shall be valid and effective and not threatened with any withdrawal, revocation or cancellation at all times prior to Completion;

(ii) the Independent Shareholders having passed the necessary resolutions to approve the Acquisition, and all necessary consent, approval and authorisation (if any) by regulators pursuant to the GEM Listing Rules and any other rules and regulations which may be applicable to the Acquisition having been obtained by the Purchaser (collectively, the "**Purchaser Necessary Approvals**") and such Purchaser Necessary Approvals shall be valid and effective and not threatened with any withdrawal, revocation or cancellation at all times prior to Completion;

(iii) the Parties and Chinese Strategic having agreed to all conditions of the CB Instrument A and all conditions of the CB Instrument B, and the Company having agreed to execute the CB Instrument A and the CB Instrument B at Completion;

(iv) the Stock Exchange having approved the listing and dealings of the Conversion Shares;

(v) the Vendor is, and shall remain at all times up to Completion, the sole legal and beneficial owner of the Sale Share and the Sale Loan free from any encumbrance;

(vi) the PRC Company is, and shall remain at all times up to Completion, the sole legal and beneficial owner of the Properties;

(vii) the Vendor is, and shall remain at all times up to Completion, the sole legal and beneficial owner of the entire equity interest in the PRC Company;

(viii) the Vendor having passed to the Purchaser true and complete photostatic copy of the audited accounts of the Target Company with respect to the period up to and including 31 December 2014;

(ix) the Purchaser having completed the due diligence investigations on the Properties and the legal, financial, business and other aspects and affairs of the Target Company and those of the PRC Company (the "**DD Review**"), and the results and outcome of the DD Review are reasonably satisfactory to the Purchaser;

(x) a valuation report on the Properties having been prepared by Asset Appraisal Limited showing the aggregate current market value of the Properties shall not be less than RMB100,000,000;

(xi) the Parties have, and shall have, performed or complied, in all material respects, with their respective undertakings, covenants and agreements contained therein; and

(xii) all representations, warranties and undertakings given by the Purchaser and/or the Vendor, remaining true, correct, valid, binding and effective.

Save and except that the above conditions precedent (vii) to (xii) may be waived by the Purchaser at any time prior to the Long Stop Date (as defined below) by notice in writing to the Vendor, no other conditions precedent under the Sale and Purchase Agreement can be waived by any Party. Subject to the actual circumstances and upon negotiation between the Purchaser and Vendor, the Purchaser may agree to waive certain conditions precedent as stated above pursuant to the Sale and Purchase Agreement. As at the Latest Practicable Date, the Purchaser has no intention to waive these conditions and none of the conditions has been fulfilled yet.

Save as otherwise stated, if any of the conditions precedent set out above shall not have been fulfilled or satisfied (or waived, as the case may be) on 30 September 2015 (the "**Long Stop Date**"), the Sale and Purchase Agreement shall, unless the Parties agree in writing to postpone the Long Stop Date to another date (being a Business Day), automatically terminate and cease to be of any effect except for terms expressed to have continuing effect pursuant to the Sale and Purchase Agreement, which shall remain in force, and none of the parties to the Sale and Purchase Agreement shall have any claim of any nature or liabilities thereunder whatsoever against the other Party save for any antecedent breaches of the terms thereof.

Completion

Completion shall take place on the Completion Date after satisfaction and/or fulfillment, and as the case may be, waiver of the abovementioned conditions (or at such other place and time as shall be mutually agreed in writing by the Parties).

Pursuant to the Sale and Purchase Agreement, within 30 Business Days after the Completion Date, the Purchaser shall deliver the Completion Account to the Vendor for approval. The Vendor shall use its best endeavours to provide such assistance and documents to the Purchaser (or its professional advisors) as may be reasonably required by the Purchaser (or its professional advisors) for the preparation of the Completion Account.

If the Completion NAV as shown in the Completion Account shows a deficit (or negative value) of more than HK$20,000,000, then the Vendor shall pay to the Purchaser an amount in cash equivalent to the difference between the Completion NAV and the Benchmark Value on a dollar-to-dollar basis within 30 Business Days after the Completion Account is issued and delivered by the Purchaser to the Vendor. For any avoidance of doubt, if the Completion NAV as shown in the Completion Account shows either no deficit or a deficit (or negative value) of less than HK$20,000,000, no payment whatsoever shall be made by the Vendor to the Purchaser or by the Purchaser to the Vendor. The Company will make further announcement(s) accordingly upon the finalised Completion NAV is made available to the Company, or as and when appropriate in compliance with the GEM Listing Rules.

Termination

The Parties acknowledge and agree that the entire amount of the Deposit shall be refunded to the Purchaser (without interest) by the Vendor in case the Sale and Purchase Agreement is terminated prematurely due to non-fulfilment or non-satisfaction of any conditions precedent by the Long Stop Date save and except such conditions precedent being or having been waived, and such refund shall be completed within 30 Business Days of such premature termination of the Sale and Purchase Agreement.

THE CONVERTIBLE BONDS

Principal Terms of the Convertible Bonds

Sets out below are the principal terms of the Convertible Bonds:

	Convertible Bonds A	**Convertible Bonds B**
Principal Amount	HK$23,000,000	HK$23,500,000
Maturity Dates	31 March 2017	30 September 2018
Conversion Shares	Assuming the Convertible Bonds A in the principal amount of HK$23,000,000 are converted at the Conversion Price of HK$0.25 per Conversion Share, 92,000,000 new Shares will be allotted and issued, representing (a) approximately 2.15% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 2.06% of the issued share capital of the Company as enlarged by the Conversion Shares.	Assuming the Convertible Bonds B in the principal amount of HK$23,500,000 are converted at the Conversion Price of HK$0.25 per Conversion Share, 94,000,000 new Shares will be allotted and issued, representing (a) approximately 2.20% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 2.11% of the issued share capital of the Company as enlarged by the Conversion Shares.

Save as mentioned above, the following terms apply to both Convertible Bonds A and Convertible Bonds B:

Issuer: the Company

Conversion Price: The Convertible Bonds are convertible at the initial Conversion Price of HK$0.25 per Conversion Share.

The Conversion Price of HK$0.25 per Conversion Share represents:

(i) a discount of approximately 3.85% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 1.30% to the closing price of HK$0.2468 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(iii) a premium of approximately 6.84% to the closing price of HK$0.234 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement;

(iv) a premium of approximately 372% to the net asset value attributable to owners of the Company per Share as at 31 December 2014 of approximately HK$0.053; and

(v) a premium of approximately 3.31% to the closing price of HK$0.242 per Share as at the Latest Practicable Date.

Anti-dilution adjustments: The Conversion Price shall from time to time be adjusted upon the occurrence of certain events including, but not limited to, the followings:

The Conversion Price shall from time to time be adjusted in accordance with the CB Instruments, if, whilst any of the Convertible Bonds remains outstanding, any of the following events or circumstances in relation to the Shares shall occur:

(i) consolidation and subdivision

(ii) capitalisation of profits or reserves

(iii) capital distribution

(iv) issue of Shares by way of rights

(v) issue of other securities by way of rights

(vi) issue of Shares other than by way of rights

(vii) issue of Shares upon conversion or exchange

(viii) modification of rights of conversion or exchange

If and whenever there shall be any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in condition(vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share receivable by the Company is less than 95% of the fair market value of one Share, as determined in good faith by the independent accountant or financial advisor acting as an expert, on the day immediately preceding the date of such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:–

$$\frac{A + B}{A + C}$$

where

A is the number of Shares in issue immediately before such modification;

B is the number of Shares which the aggregate consideration receivable by the Company for the Shares to be issued upon conversion or exchange, or upon exercise of the right of subscription attached to the securities so modified, would purchase at such fair market value per Share or, if lower, the existing conversion, exchange or subscription price; and

C is the maximum number of Shares to be issued upon conversion or exchange of such securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate,

but giving credit in such manner as the independent accountant or financial advisor (whom the Company undertakes to engage for the purpose of this paragraph) shall, acting as an expert, consider appropriate (if at all) for any adjustment under this paragraph.

Such adjustment shall become effective on the date of such modification of the rights of conversion, exchange or subscription attaching to such securities.

(ix) offers for Shares

If and whenever the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity issues, sells or distributes any securities in connection with an offer pursuant to which Shareholders generally (meaning for these purposes the holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under the conditions precedent (iv) to (vii) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:–

$$\frac{A - B}{A}$$

where

A is the fair market value of one Share, as determined in good faith by the independent accountant or financial advisor acting as an expert, on the day immediately preceding the date of such issue; and

B is the fair market value on the date of such issue, as determined in good faith by the independent accountant or financial advisor, of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date of issue of the securities.

Conversion Shares: The Conversion Shares, collectively representing (a) approximately 4.35% of the existing issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 4.17% of the issued share capital of the Company as enlarged by the Conversion Shares.

The Conversion Shares will be allotted and issued pursuant to the Specific Mandate.

Interest: The Convertible Bonds shall not bear any interest.

Conversion Rights: Each holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period (as defined below) to convert the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Convertible Bonds held by such holder of Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds. The Company shall pay a cash amount in HK$ equal to such amount of Convertible Bonds that are not converted.

Limitations on conversion of the Convertible Bonds: A holder of the Convertible Bonds shall not exercise any Conversion Rights if, as a result of such exercise, it will cause the public float of the Company to be unable to meet the relevant requirements under the GEM Listing Rules.

A holder of the Convertible Bonds shall not exercise any Conversion Rights, and the Company shall not be required to issue any Conversion Shares, if, as a result of the relevant exercise of the Conversion Rights, the holder of the Convertible Bonds and/or parties acting in concert with it would be required to make a mandatory general offer under Rule 26 of the Takeovers Code for the Shares held by the Company's other Shareholders

Redemption: *Redemption of the Convertible Bonds at maturity*

All Convertible Bonds which have not been redeemed or converted in accordance with the terms and conditions of the CB Instruments by the Maturity Dates shall be redeemed by the Company on the Maturity Dates at a redemption amount equal to 100% of the principal amount of such Convertible Bonds.

Redemption on default

If any of the event of default pursuant to the CB Instruments occur, the Company shall forthwith give notice thereof to the holders of the Convertible Bonds and each holder of the Convertible Bonds may (without prejudice to any other rights and remedies available to the holders of the Convertible Bonds), at its option, opt to convert their Convertible Bonds in its entirety or, alternatively, give a notice of redemption to the Company in respect of part or all of the Convertible Bonds held by it, whereupon such Convertible Bonds shall become immediately due and payable at a redemption amount equal to 100% of the principal amount of such Convertible Bonds. For any avoidance of doubt, there shall not be any redemption by any holder of the Convertible Bonds prior to the Maturity Dates unless an event of default pursuant to the CB Instruments occur.

Conversion Period: The period commencing from the date of issue of the Convertible Bonds and ending on the date which falls on the fifth Business Day before the respective Maturity Dates, both dates inclusive.

Ranking: Shares issued upon exercise of the Conversion Rights shall rank *pari passu* in all respects with all other existing Shares outstanding at the date of conversion and all Conversion Shares shall include rights to participate in all dividends and other distributions.

Transferability: Subject to compliance with the GEM Listing Rules and regulatory requirements, the Convertible Bonds may be transferred to any person provided that where the Convertible Bonds is intended to be transferred to a connected person (as defined in the GEM Listing Rules) (other than the associates of the holders of the Convertible Bonds), such transfer shall comply with the requirements under the GEM Listing Rules and/or requirements imposed by the Stock Exchange, if any.

Any transfer of the Convertible Bonds shall be in respect of the whole or any part (in multiples of HK$500,000) of the outstanding principal amount of the Convertible Bonds.

Application for listing: No application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. Application will be made by the Company to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

EFFECT OF THE ACQUISITION ON THE SHAREHOLDING STRUCTURE

	(i) As at the date of the Sale and Purchase Agreement		(ii) As at the Latest Practicable Date		(iii) Immediately after Completion, issuance of the Convertible Bonds and issuance of the Conversion Shares upon exercise of the rights attached to the Convertible Bonds	
	No. of Shares	*approx. %*	*No. of Shares*	*approx. %*	*No. of Shares*	*approx. %*
Substantial Shareholders						
Chinese Strategic *(Note 1, 2)*	369,053,215	11.73%	369,053,215	8.63%	369,053,215	8.27%
Vendor *(Note 1, 2)*	–	–	–	–	186,000,000	4.17%
Other public Shareholders	2,777,611,845	88.27%	3,906,611,845	91.37%	3,906,611,845	87.56%
Total	**3,146,665,060**	**100.00%**	**4,275,665,060**	**100.00%**	**4,461,665,060**	**100.00%**

Notes:

1) These Shares are held by Top Status International Limited (318,953,215 Shares), Fameway Finance Limited (49,000,000 Shares) and Winner Performance Limited (1,100,000 Shares), all of which are wholly-owned by Rich Best Asia Limited, which is in turn wholly-owned by Chinese Strategic.

2) Chinese Strategic was a substantial Shareholder as at the date of the Sale and Purchase Agreement, interested in 11.73% of the then issued share capital of the Company. The shareholding of Chinese Strategic in the Company decreased from approximately 11.73% to approximately 8.63% as at the Latest Practicable Date due to (i) conversion of certain outstanding convertible bonds of the Company during the period upon the date of the Announcement up to the Latest Practicable Date; and (ii) the completion of a placing of new shares under general mandate of the Company that took place on 2 July 2015 (the "**Placing Completion**"). Upon the conversion of the outstanding convertible bonds and the Placing Completion, issued share capital of the Company increased by 500,000,000 Shares and 629,000,000 Shares, respectively.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in Hong Kong with limited liability. As at the Latest Practicable Date, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company.

As at the Latest Practicable Date, the Target Company is the sole legal and beneficial owner of the entire equity interest in the PRC Company, a company of limited liability incorporated in PRC. The PRC Company is the sole legal and beneficial owner of the Properties.

The Properties are the principal assets of the Target Company. The 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.. Among the Properties, 2 out of the 8 commercial units are currently vacant as at the date of the Sale and Purchase Agreement, one of the units currently occupied and used by the PRC Company, and the remaining units being leased out pursuant to a tenancy agreement as stated under the Sale and Purchase Agreement; and the residential house is also occupied and leased out pursuant to a tenancy agreement as stated under the Sale and Purchase Agreement. The original acquisition cost of the Target Company to Vendor was HK$1, and the original acquisition cost of the Properties to the PRC Company was approximately HK$89,200,000. According to the audited consolidated account of the Target Company, the book value of the Properties was HK$138,538,323 as at 31 December 2014.

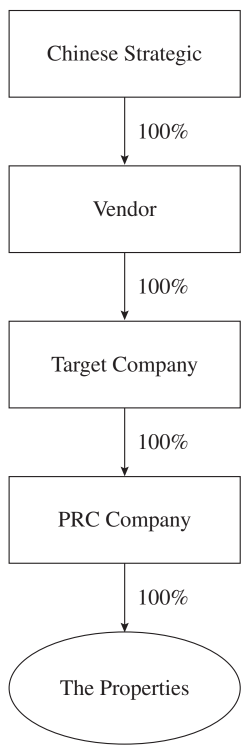
INFORMATION OF THE VENDOR

The Vendor is a company incorporated in the British Virgin Islands with limited liability, and a wholly owned subsidiary of Chinese Strategic, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Growth Enterprise Market of the Stock Exchange.

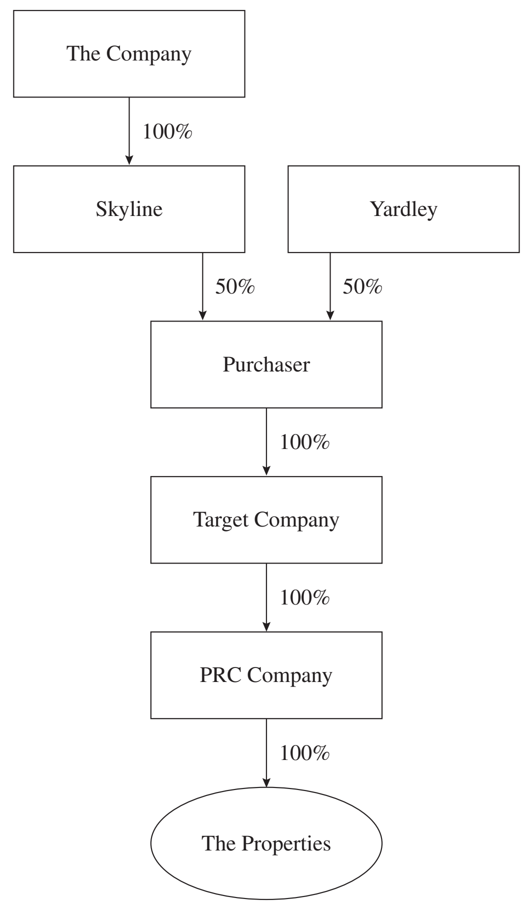
SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group:

Immediately prior to the Completion



Immediately upon the Completion



Financial information of the Target Group

Set out below is the summary of the audited consolidated financial figures of the Target Group prepared under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants for the three financial years ended 31 December 2012, 2013 and 2014.

	For the year ended 31 December 2014	For the year ended 31 December 2013	For the year ended 31 December 2012
	HK$'000	*HK$'000*	*HK$'000*
Revenue	382	644	637
Loss before tax	17,980	7,751	9,149
Loss after tax	21,179	8,535	6,588
Total Assets	141,320	154,932	154,784
(Net deficit)/net assets	(14,127)	6,922	11,036

REASONS AND BENEFITS OF THE ENTRY OF THE PROPOSED SHAREHOLDERS' AGREEMENT AND THE ACQUISITION

The Group is principally engaged in the business of one-stop value chain services, property investment and agricultural products.

The Company has been exploring investment opportunities in the PRC and is positive about the long term prospect of the property market in PRC. The Shareholders' Agreement to be entered into by the JV Partners would be able to regulate the management and operation of the JV Company. Subsequently, the Acquisition would allow the Company, through the Purchaser, to purchase the Properties held by the Target Company without any immediate cash outlay and impact on the financial position of the Group (subject to audit).

The Group intends to hold the Properties for investment purpose and will, depending on the market circumstances, lease out the Properties after the Completion for rental income. The Directors consider that the Acquisition represents an attractive investment opportunity to the Company as the Acquisition would allow the Company to broaden its property investment portfolio and strengthen its asset base. As the Directors are positive and confident in the future development and prospects of the PRC property market, the Directors are also of the view that revenue to be generated via the rental income thereof would steadily increase, and the Properties overall would provide a capital appreciation potential to the Enlarged Group.

Based on the above, the Directors are of the view that the terms of the proposed Shareholders' Agreement and the Acquisition are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Subject to audit, upon Completion, the Target Group will become non wholly-owned subsidiaries of the Group and the profit and loss, and assets and liabilities of the Target Group will be consolidated into the financial statements of the Group in accordance with Hong Kong Financial Reporting Standards. The unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had been completed and all equity interest was acquired on 31 December 2014 to illustrate the effect of the Acquisition.

Assets and liabilities

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to Circular, the respective pro forma total assets and pro forma total liabilities of the Enlarged Group following the Acquisition would have amounted to approximately HK$293.4 million and approximately HK$94.6 million as compared to the respective total assets and total liabilities of the Group amounting to approximately HK$164.7 million and approximately HK$29.7 million as at 31 December 2014 before the Acquisition, representing an increase of HK$128.7 million in total assets and 64.9 million in total liabilities.

Earnings

The Acquisition has no immediate effect on the revenue of the Enlarged Group. As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, the Enlarged Group would incur an estimated transaction cost of the Acquisition of approximately HK$1.4 million.

GEM LISTING RULES IMPLICATIONS

Major Transactions

The Board is of the view that the issue of the Convertible Bonds will be treated as capital commitment of the Group, the applicable percentage ratio (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 25% but are below 100%, the entry of the proposed Shareholders' Agreement would constitute a major transaction of the Company under the GEM Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules.

As the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 25% but are below 100%, the Acquisition also constitutes a major transaction of the Company under the GEM Listing Rules and is subject to the requirements of reporting, announcement and the approval by the Shareholders under the GEM Listing Rules.

Connected Transaction

As at the date of the Sale and Purchase Agreement, the Vendor, who is a wholly-owned subsidiary of Chinese Strategic, was a substantial Shareholder of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rule, which requires approval of the Independent Shareholders by way of poll at the SGM. As at the Latest Practicable Date, Chinese Strategic is interested in 369,053,215 Shares, representing approximately 8.63% of the issued share capital of the Company.

Pursuant to rule 20.34 of the GEM Listing Rules, any Shareholder who has a material interest in the transaction must abstain from voting on the resolution. Accordingly, Chinese Strategic and/or its associates which in aggregate hold 8.63% of the issued share capital of the Company shall abstain from voting at the SGM on the resolutions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular, which contains its recommendation to the Independent Shareholders regarding the Acquisition and the transactions contemplated under the Sale and Purchase Agreement.

Your attention is also drawn to the letter from the Independent Financial Adviser set out on pages 34 to 51 of this circular, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders regarding the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds).

The Directors (including the independent non-executive Directors who have taken into account the recommendations from Independent Financial Adviser) are of the view that while the Acquisition is not in the ordinary and usual course of business of the Company and, that the terms of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds) are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the (i) Shareholders' Agreement and (ii) Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds).

Your faithfully
For and on behalf of the Board
So David Tat Man
Executive Director

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

27 July 2015

To the Independent Shareholders

Dear Sir or Madam,

(1) THE JV FORMATION AND THE PROPOSED SHAREHOLDERS' AGREEMENT;

(2) MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE EQUITY INTEREST IN CHINA SMART ASIA LIMITED INVOLVING THE ISSUE OF CONVERTIBLE BONDS UNDER SPECIFIC MANDATE;

AND

(3) NOTICE OF SPECIAL GENERAL MEETING

We have been appointed to form an independent board committee to consider and advise you on the terms of the Acquisition and the transactions contemplated under the Sales and Purchase Agreement, details of which are set out in the circular issued by the Company to the Shareholders dated 27 July 2015 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and letter from the Independent Financial Adviser set out on pages 8 to 31 and pages 34 to 51 of the Circular respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds), and the principal factors and reasons considered by Independent Financial Adviser, we concur with the view of Independent Financial Adviser and consider that while the Acquisition is not in the ordinary and usual course of business of the Company and, that the terms of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds) are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated under the Sale and Purchase Agreement (including the issue of the Convertible Bonds and the grant of specific mandate for the issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds).

Yours faithfully,
For and on behalf of
the Independent Board Committee

Mr. Ng Cheuk Fan, Keith	**Mr. Yick Ting Fai, Jeffrey**	**Mr. Zhang Min**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Octal Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement, which has been prepared for the purpose of incorporation in this circular:

八方金融有限公司
OCTAL Capital Limited

801-805, 8th Floor, Nan Fung Tower
88 Connaught Road Central
Hong Kong

27 July 2015

To the Independent Board Committee
and the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the Sale and Purchase Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company (together with its subsidiaries, the "**Group**") dated 27 July 2015 (the "**Circular**"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meaning as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, Skyline, a wholly owned subsidiary of the Company, and Yardley became partners to the JV Company for the purpose of the Acquisition on 28 May 2015. In addition, on 29 May 2015, the Company, the JV Company as the Purchaser, Yardley, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which (i) the Vendor has agreed to sell to the Purchaser, and the Purchaser has agreed to purchase from the Vendor, the Sale Share, and (ii) the Vendor has agreed to assign to the Purchaser, and the Purchaser has agreed to accept the assignment of, the Sale Loan. The Sale Share represents the entire issued share capital of the Target Company, which owns the Properties being 8 commercial units and a residential house in Shenzhen, the PRC. The Vendor is a wholly-owned subsidiary of Chinese Strategic, a substantial shareholder of the Company as at the date of the Sale and Purchase Agreement and thus, a connected person of the Company under the GEM Listing Rules. Also, the applicable percentage ratios (as calculated in accordance with Rule 19.06 of the GEM Listing Rules) exceed 25% but are below 100%. As such, the Acquisition constitutes a major and a connected transaction of the Company under Rule 19.06 and Chapter 20 of the GEM Listing Rules and is subject to, among other things, the Independent Shareholders' approval at the SGM. Chinese Strategic and/or its associates are regarded as having material interest in the Acquisition and they are required to abstain from voting in the relevant resolutions.

An independent board committee comprising all independent non-executive Directors of the Company, namely Mr. Ng Cheuk Fan, Keith, Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min, has been established to consider and advise the Independent Shareholders on whether the Acquisition and the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The advice of the Independent Board Committee as regards the Acquisition is contained in its letter included in the Circular.

We, Octal Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Acquisition and the transactions contemplated under the Sale and Purchase Agreement in this regard. We are not connected with the directors, chief executive and substantial shareholders of the Company, Yardley or Chinese Strategic or any of their respective subsidiaries or their respective associates and do not have any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date and therefore is considered suitable to give independent advice to the Independent Shareholders. During the last two years, there was no engagement between the Company or Yardley or Chinese Strategic and us. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Group or the directors, chief executive and substantial shareholders of the Company, Yardley or Chinese Strategic or any of its subsidiaries or their respective associates.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the management of the Company were true at the time they were made and continue to be true as at the date of the Circular. We have also relied on our discussion with the management of the Company regarding the Acquisition including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the management of the Company respectively in the Circular were reasonably made after due enquiry. We have also cross-checked the accuracy of the information provided by the Company with those provided by third parties including the professional parties whenever feasible. We consider that we have taken all reasonable steps and have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Yardley or Chinese Strategic and their respective associates.

THE ACQUISITION

Principal factors and reasons considered

In arriving at our opinion regarding the terms of the Acquisition, we have considered the following principal factors and reasons:

1. Background of the Acquisition

Business and financial performance of the Group

The Group is principally engaged in the business of one-stop value chain services, property investment and agricultural products.

As extracted from the Company's annual report for the year ended 31 December 2014 (the "**2014 Annual Report**"), the following table summarizes the financial performance of the Group for the year ended 31 December 2013 and 2014 respectively:

	For the year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(audited)	(audited)
Revenue	19,194	45,541
Gross profit	3,542	5,581
Loss for the year attributable to owners of the Company	(25,746)	(27,393)

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$45.5 million, representing an increase of approximately 137.3% as compared to the year ended 31 December 2013. The increase was primarily attributable to the increase in revenue from the Group's one-stop value chain services where the segmental revenue increased from approximately HK$0.5 million in the year ended 31 December 2013 to approximately HK$18.3 million in the year ended 31 December 2014 which was due to the increased marketing efforts of the Company. As at 31 December 2014, the Group held properties in Hong Kong and the PRC for investment purpose with a fair value of approximately HK$28.8 million. During the year ended 31 December 2014, such business segment reported a rental income of approximately HK$0.2 million and a net increase in fair value of investment properties of approximately HK$0.5 million as a result of the property revaluation. Despite the increase in revenue, the Group's gross margin decreased from approximately 18.5% during the year ended 31 December 2013 to approximately 12.3% during the year ended 31 December 2014, which, coupled with a decrease in fair value of financial assets (as compared to a fair value gain in 2013) and an increase in administrative expenses due to the development and expansion of new businesses of the Group, jointly contributed to the increase in net loss for the year to approximately HK$28.9 million during the year ended 31 December 2014.

As extracted from the 2014 Annual Report, the table below summaries the consolidated statement of financial position of the Group as at 31 December 2013 and 2014:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
	(audited)	(audited)
Assets		
Non-current assets	7,978	92,707
Plant and equipment	394	4,408
Investment properties	7,580	28,812
Interests in associates	–	43,731
Deposit paid for acquisition of investment properties	–	14,113
Others	4	1,643
Current assets	19,298	71,994
Total assets	27,276	164,701
Liabilities		
Non-current liabilities	4,806	17,705
Current liabilities	11,981	11,950
Total liabilities	16,787	29,655
Equity attributable to owners of the Company	10,503	136,494

The total assets of the Group amounted to approximately HK$27.3 million and HK$164.7 million as at 31 December 2013 and 2014 respectively. The total liabilities of the Group amounted to approximately HK$16.8 million and HK$29.7 million as at 31 December 2013 and 2014 respectively. The net assets attributable to the owners of the Company were approximately HK$10.5 million and HK$136.5 million as at 31 December 2013 and 2014 respectively. The significant increase in the net asset value of the Group was primarily the result of the placing of 800,000,000 new Shares under specific mandate that was completed on 25 March 2014 and raised gross proceeds of approximately HK$150.4 million for the Group's acquisition activities and working capital.

As at 31 December 2014, the Group's gearing ratio (measured by total liabilities to total assets) was approximately 0.18, as compared to approximately 0.62 as at 31 December 2013 which was primarily due to the increase in assets of the Group during the year ended 31 December 2014 as a result of the placing of 800,000,000 new Shares.

Information of the Properties

As stated in the Letter from the Board, the Properties comprise 8 commercial units of a total gross floor area ("**GFA**") of approximately 1,690 sq.m. located in Shenzhen City, Guangdong Province, the PRC, and a residential house in Shenzhen City, Guangdong Province, the PRC of a total GFA of approximately 315.23 sq.m. Among the Properties, 2 out of the 8 commercial units are currently vacant as at the date of the Sale and Purchase Agreement, one of the units currently occupied and used by the PRC Company, and the remaining units being leased out pursuant to a tenancy agreement as stated under the Sale and Purchase Agreement. The residential house is also occupied and leased out pursuant to a tenancy agreement as stated under the Sale and Purchase Agreement. The following table summarizes the audited consolidated financial figures of the Target Group for the year ended 31 December 2012, 2013 and 2014 respectively:

	For the year ended/ As at 31 December		
	2012	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)
Revenue	637	644	382
Loss after tax	6,588	8,535	21,179
Total assets	154,784	154,932	141,320
Net asset/(liabilities)	11,036	6,922	(14,127)

According to the accountants' report on the Target Group, the book value of the Properties was approximately HK$138,538,000 as at 31 December 2014. According to the valuation report as set out in Appendix V to the Circular, the valuation of the Properties was RMB100,000,000 (equivalent to approximately HK$126,530,000 as at 31 May 2015. As advised by the Company, certain portion of the Properties with a total gross floor area of 845 square metres was subject to a tenancy for a term of commencing on 1 December 2014 and expiring on 31 December 2017 at a current monthly rent of RMB185,900 exclusive of management fee and other charges.

Further details regarding the historical financial performance of the Target Group is set out in Appendix III to the Circular.

2. Reasons for the Acquisition

As stated in the Letter from the Board, the Company has been exploring investment opportunities in the PRC and is positive about the long term prospect of the property market in PRC. The JV Formation and the Acquisition would allow the Company, through the Purchaser, to purchase the Properties held by the Target Company without any immediate cash outlay and impact on the financial position of the Group.

The Group intends to hold the Properties for investment purpose and will, depending on the market circumstances, lease out the Properties after the Completion for rental income. The Directors consider that the Acquisition represents an attractive investment opportunity to the Company as the Acquisition would allow the Company to broaden its property investment portfolio and strengthen its asset base. As the Directors are positive and confident in the future development and prospects of the PRC property market, the Directors are also of the view that revenue to be generated via the rental income thereof would steadily increase, and the Properties overall would provide a capital appreciation potential to the Enlarged Group.

We understand from the 2014 Annual Report that it is the Group's intention to aim for balanced sources of income over the long term with equal emphasis on property investment for sale and rental income. The Company is of the view that such strategy offers a balance between steady cash flow and fast asset turnover. We also note that the Group has been actively acquiring properties and identifying reliable tenants for enhancing its source of rental income during the year ended 31 December 2014. During such period, the Group acquired (i) a residential property located in Futian District, Shenzhen, the PRC with GFA of approximately 245.87 sq.m. via asset acquisition; (ii) a residential property located in Taipei, Taiwan with a GFA of approximately 2,958 square feet via interest reassignment; (iii) an investment holding company which owned certain commercial and residential properties located in Quanzhou, Fujian Province, the PRC via equity acquisition; and (iv) a residential property located in Nanshan District, Shenzhen, the PRC with a GFA of approximately

116.33 sq.m. via asset acquisition. During the year ended 31 December 2013, the Group also acquired a PRC company engaging in (among others) trading of construction materials and real estate development. Given the increase in demand of the property market in Hong Kong, Taiwan and the PRC, the Group is of the view that its property investment portfolio will generate a steadily growing income stream while reliable tenants will be identified to enhance the Group's rental income that will serve as another growth engine for the Group over the long term.

Since the Properties are all located in Shenzhen, the PRC, we also examined the property market outlook in Shenzhen. According to the Shenzhen Statistics Bureau, Shenzhen maintained a sustainable growth on its gross domestic product ("**GDP**") over the past 6 years, with a compound annual growth rate ("**CAGR**") of approximately 14.3% from 2009 to 2014. Shenzhen's GDP per capita also increased at a CAGR of approximately 12.2% from approximately RMB84,147 in 2009 to approximately RMB149,500 in 2014. The total fixed asset investment of Shenzhen increased at a CAGR of approximately 9.7% during 2009 to 2014 to approximately RMB271.7 billion in 2014, which also represented a year-on-year increase of approximately 13.6% comparing to 2013. In the property sector, the total real estate investment in Shenzhen increased from approximately RMB43.8 billion in 2009 to approximately RMB88.8 billion in 2013, representing a CAGR of approximately 19.4%. The following table sets forth certain property market benchmarks in Shenzhen for the period of 2009 to 2014:

	2009	**2010**	**2011**	**2012**	**2013**	**2014** *(Note)*	**CAGR**
GDP *(RMB' billion)*	820.1	958.2	1,150.6	1,290.0	1,450.0	1,600.2	14.3%
Fixed asset investment *(RMB' billion)*	170.9	194.5	206.1	219.4	240.2	271.7	9.7%
Real estate investment *(RMB' billion)*	43.8	45.9	51.5	73.7	88.8	–	19.4%
GFA of residential properties completed *(million sq.m.)*	2.7	2.5	2.3	2.9	2.0	–	-7.6%
GFA of office properties completed *(million sq.m.)*	0.25	0.32	0.21	0.12	0.31	–	5.3%
GFA of retail properties completed *(million sq.m.)*	0.32	0.25	0.36	0.40	0.53	–	13.5%
Average transaction price of properties in the secondary market *(RMB per sq.m.)*	15,214	20,850	20,674	20,035	23,776	–	11.8%
Residential properties rent index (2010 = 100)	N/A	100	104.8	107.1	110.3	–	N/A

Source: Shenzhen Statistics Bureau

Note: Certain data of 2014 are unavailable as the Shenzhen Statistical Yearbook 2014 has not yet been published as at the Latest Practicable Date.

From the above table, we noted that both the real estate investments and the market price levels were on an increasing trend during the period from 2009 to 2013. Meanwhile, the total fixed asset investment in Shenzhen for the year 2014 increased by approximately 13.6% as compared to that of 2013. Of the total fixed asset investment in 2014, approximately 14.7% was contributed by the urban redevelopment investment of Shenzhen, which also represented a year-on-year rise of approximately 11.8%. Coupled with the rising GDP per capita of Shenzhen and the continuing urban redevelopment of Shenzhen, we consider the Properties will be able to generate recurrent rental income for the Group and benefit from future land appreciations. We consider the Acquisition represents a good opportunity to the Company enabling the Group to enrich its property investments in Shenzhen and diversify its property portfolio.

We understand that the Acquisition is capital in nature as the Acquisition involves the sale and purchase of the Sale Share. Based on the foregoing, although the acquisition of the Properties by means of equity acquisition is not in the ordinary and usual course of business of the Group, we are of the view that it is in line with the Group's business strategy as discussed in the 2014 Annual Report and is in the interests of the Company and the Shareholders as a whole.

3. *Principal terms of the Sale and Purchase Agreement*

Consideration

The Consideration for the Acquisition is HK$93,000,000, which was determined after arm's length negotiations between the JV Partners and the Vendor taking into account (i) the book value of the Properties of HK$138,538,323 as at 31 December 2014; (ii) that the Properties shall be valued at not less than RMB100,000,000, being one of the conditions precedent to the Sale and Purchase Agreement; and (iii) the assignment of the Sale Loan.

In assessing the fairness and reasonableness of the Consideration, we have considered and reviewed, among others, the valuation of the Properties as detailed in the valuation report (the "**Valuation Report**") prepared by Asset Appraisal Limited (the "**Valuer**") as set out in Appendix V to the Circular and discussed with the Valuer regarding the methodology of and the principal bases and assumptions adopted for the valuation of the Properties. As part of our due diligence, we have assessed the qualification and experience of the responsible person of the Valuer for its engagement as the independent professional valuer for the Properties. We noted that she has over 10 years of experience in valuation of properties in Hong Kong, Macau and the PRC and we are of the view that the Valuer possesses sufficient experience in performing the valuation. The Valuer also confirmed that it is independent from the Company and all relevant material information provided by the Company had been incorporated in the Valuation Report and there were no other material relevant information or representations relating to the Properties provided or made by the Company to the Valuer not having been included in the valuation. In addition, we also reviewed the terms of the Valuer's engagement and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuation Report.

In arriving the market value of the Properties, we noted that the Valuer used the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. We have obtained the list of comparable properties reviewed by the Valuer and we are of the view that such properties are reasonable comparables in arriving the market value of the Properties. We also noted that the valuation has been made on the assumption that owners sell the Properties (except those properties rented by the Company) on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the Properties.

As advised by the Valuer, in establishing the opinion of value of the Properties, the Valuer has considered the three generally accepted approaches of valuation, namely the market approach, the cost approach and the income approach. In view of the nature of the Properties where a well-established second hand market can be identified, the market approach is considered to be the optimal approach and has thus been employed by the Valuer for determining the market value of the Properties. Other information regarding the valuation have been set out in the Valuation Report in Appendix V to the Circular.

After considering the reasons for adopting the above valuation methodologies for valuing the Properties by the Valuer, we are of the opinion that the valuation methodologies and the basis and assumptions used are reasonable and acceptable in establishing the market values of the Properties.

Upon comparison, we noted that the Consideration of HK$93,000,000 represents a discount of approximately 26.5% to the market value of the Properties being RMB100,000,000 (equivalent to approximately HK$126,530,000). Moreover as previously discussed, the primary assets and liabilities of Target Group were the Properties and the Sale Loan (which is to be assigned to the Purchaser) respectively and there were no other material fixed assets or external liabilities that were recorded in the accounts of the Target Group. As such, we consider the Consideration of HK$93,000,000 to acquire the Target Company is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

Mode of settlement of the Consideration

The Consideration of HK$93,000,000 shall be settled and discharged by the Purchaser 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 Purchaser 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 Purchaser 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;

(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 A in the principal amount of HK$23,000,000; and (ii) the Convertible Bonds B in the principal amount of HK$23,500,000 at Completion.

The principal terms of the Convertible Bonds have been set out in the Letter from the Board in the Circular. The Conversion Price of HK$0.25 per Conversion Share represents:

- a discount of approximately 3.85% to the closing price of HK$0.26 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a discount of approximately 1.73% to the average of the closing prices of HK$0.2544 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to and including the Last Trading Day;

- a premium of approximately 5.17% over the average of the closing prices of HK$0.2377 per Share as quoted on the Stock Exchange for the last ten trading days immediately prior to and including the Last Trading Day;

- a premium of approximately 8.51% over the average of the closing prices of HK$0.2304 per Share as quoted on the Stock Exchange for the last 30 trading days immediately prior to and including the Last Trading Day;

- a premium of approximately 3.31% over the closing price of HK$0.242 per Share as quoted on the Stock Exchange on the Last Practicable Date; and

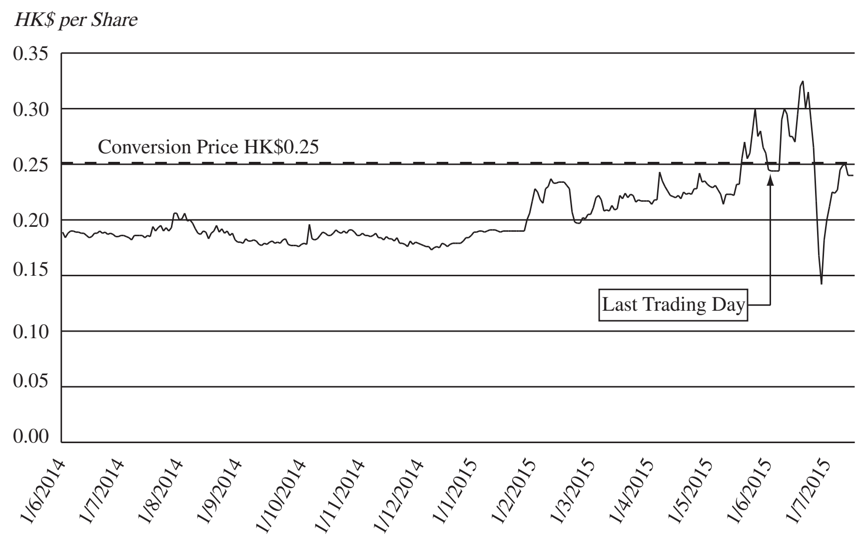
- a premium of approximately 369.04% over the audited net asset value attributable to owners of the Company per Share as at 31 December 2014 of approximately HK$0.0533.

For the purpose of assessing of the fairness and reasonableness of the Conversion Price, the following analyses are further taken into consideration:

Historical Share price performance

For the purpose of comparing the Conversion Price with the market price of the Shares, we plot the closing price level of the Shares traded on the Stock Exchange from 1 June 2014 to 29 May 2015 (being the Last Trading Day) (the "**Pre-announcement Period**") and further up to the Latest Practicable Date (the "**Review Period**") as follows:

Share price performance



Source: Infocast

During the Pre-announcement Period, the Conversion Price per Share had been mostly above the closing prices of the Shares in the Pre-announcement Period, which ranged from the lowest of HK$0.173 per Share on 12 December 2014 to the highest of HK$0.27 per Share on 27 May 2015. We noticed that the closing price of the Shares surged rather noticeably since 26 May 2015 to the Last Trading Day, from HK$0.232 per Share on 25 May 2015 to HK$0.26 on the Last Trading Day, and further reached the peak of HK$0.30 on 2 June 2015 subsequent to the release of the Announcement. During the Pre-announcement Period, the Conversion Price represents (i) a premium of approximately 44.51% over the lowest closing price of HK$0.173; (ii) a discount of approximately 7.41% to the highest closing price of HK$0.27; and (iii) a premium of approximately 26.26% over the 12-month average closing price of HK$0.198 during the Pre-announcement Period.

Following the release of the Announcement on 29 May 2015, the closing price of the Shares increased to HK$0.28 per Share on 1 June 2015 and further to HK$0.30 per Share on 2 June 2015. The closing prices of the Shares during the period from 1 June 2015, being the first trading day after the Announcement was published to the Latest Practicable Date (the "**Post-announcement Period**") fluctuated significantly and ranged from the lowest of HK$0.142 per Share to the highest of HK$0.325 per Share. The Conversion Price represents a premium of approximately 76.06% over the lowest closing price of the Shares and a discount of approximately 23.08% to the highest closing price of the Shares during the Post-announcement Period.

Having regard to the Conversion Price per Share represents (i) a premium over the average of the closing prices per Share as quoted on the Stock Exchange for the last ten and thirty trading days prior to and including the Last Trading day; (ii) a premium over the 12-month average closing price during the Pre-announcement Period; (iii) a premium over the audited net asset value attributable to owners of the Company per Share as at 31 December 2014; and (iv) majority of the historical closing prices of the Shares during the Review Period were below the Conversion Price, we consider the Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

Analysis of comparable transactions with the issuance of convertible bonds

In order to further assess the fairness and reasonableness of the terms of the Convertible Bonds with respect to the principal terms of the Convertible Bonds, we have conducted a search, on all issues of convertible bonds/notes in relation to acquisitions by listed companies in Hong Kong involving the issue of convertible bonds as part of the consideration from 1 January 2015 up to and including 29 May 2015, being the Last Trading Day (the "**CB Comparables**"). The purpose of the CB Comparables is to provide reference on the recent market practice in determining the fairness and reasonableness of the principal terms of the Convertible Bonds. We note that during 1 January 2015 up to and including 29 May 2015, being the Last Trading Day, companies listed in Hong Kong with business similar to the Company has no convertible bonds/notes issuance. We consider the CB Comparables appropriate although (i) business, operation and prospects of the Company are not the same as the issuers of the CB Comparables; (ii) we consider they are comparable as the principal terms of the convertible securities issuance (i.e. principal amount, term to maturity, interest/ coupon rate and conversion price) should be considered in whole rather than in isolation. Based on our search conducted according to the above criteria, we consider that the following list of the 13 CB Comparables is an exhaustive list of those fair and representative comparables for comparison purpose. Key findings on the principal terms of the CB Comparables are summarized in table below:

Date of announcement	Stock code	Company	Conversion price *(HK$)*	Maturity *(years)*	Interest *(per annum)*	Premium/ (discount) over/to the closing price of the shares on the last trading day prior to the date of the announcement *%*	Premium/ (discount) over/to the closing price of the shares for last 5 consecutive trading days up to the date of the announcement *%*	Premium/ (discount) over/to the closing price of the shares for last 10 consecutive trading days up to the date of the announcement *%*	Premium/ (discount) over/to the net asset value per share *%*
10/3/2015	231	Madex International (Holdings) Limited	0.2	5	0.00%	-9.91%	-9.50%	-9.09%	117.39%
11/3/2015	8351	Larry Jewelry International Company Limited	0.15	3	7.00%	-82.35%	-81.57%	-82.31%	45.15%
1/4/2015	1194	China Precious Metal Resources Holdings Co., Ltd.	0.76	0.5	0.00%	26.67%	23.38%	35.71%	-40.63%
15/4/2015	431	Greater China Holdings Limited	3.25	3	0.00%	-20.15%	-21.31%	8.96%	983.33%
15/4/2015	241	Alibaba Health Information Technology	5.808	5	2.00%	-14.30%	-4.60%	-1.90%	2664.34%
17/4/2015	2366	SMI Culture Group Holdings Limited	0.60	3	0.00%	1.69%	-1.96%	5.91%	40.52%
20/4/2015	378	CIAM Group Limited	1.7	3	8.00%	16.44%	14.40%	14.02%	22.19%
27/4/2015	30	ABC Communications (Holdings) Limited	0.1875	2	2.00%	-25.00%	0.48%	9.97%	-3.18%
27/4/2015	1050	Karrie International Holdings	0.465	3	1.00%	19.23%	19.54%	20.78%	-3.13%
30/4/2015	8272	Chinese Food and Beverage Group Limited	0.29	3.6	0.00%	-43.14%	-42.91%	-43.25%	N/A
7/5/2015	1046	Universe International Holdings Limited	0.75	2	5.00%	7.14%	-5.06%	-3.72%	-47.18%
11/5/2015	8053	Pizu Group Holdings Limited	0.36	3	0.00%	5.88%	9.09%	9.09%	2669.23%
13/5/2015	8222	E Lighting Group Holdings Limited	0.7	3	1.00%	5.40%	5.40%	-7.16%	363.58%
			Mean	3	2.00%	-8.65%	-7.28%	-3.31%	567.63%
			Median	3	1.00%	1.69%	-1.96%	9.53%	42.84%
			Max	5	8.00%	26.67%	23.38%	35.71%	2669.23%
			Min	0.5	0.00%	-82.35%	-81.57%	-82.31%	-47.18%
		The Convertible Bond A	0.25	1.5	0.00%	-3.85%	-1.73%	5.17%	369.04%
		The Convertible Bond B	0.25	3	0.00%	-3.85%	-1.73%	5.17%	369.04%

Source: Website of Stock Exchange

Maturity and interest rate

We note that the maturity term of the Convertible Bonds of approximately 18 months and 36 months is, respectively, lower than and the same as the mean and the median of those of the CB Comparables. We consider the maturity term of the Convertible Bonds is in line with that of the CB Comparables. We also note that the Convertible Bonds are interest-free which is at the low end of the range of interest rate for the CB Comparables from 0.00% to 8.00% per annum. We consider the issue of Convertible Bonds allows the Group to acquire the Properties with a minimal finance cost.

Conversion price

As illustrated from the table above, we note that (i) the discount of the Conversion Price to the closing price of the Shares on the last trading day prior to the date of the announcement being approximately 3.85% is above the mean of the CB Comparables; (ii) the discount of the Conversion Price to the average closing price of the Shares for the last 5 consecutive trading days up to the date of the announcement being approximately 1.73% is above the mean and median of the CB Comparables; (iii) the premium of the Conversion Price over the average closing price of the Shares for the last 10 consecutive trading days up to the date of the announcement being approximately 5.17% is above the mean of the CB Comparables; and (iv) the premium of the Conversion Price over the net asset value per share is above the median of those of the CB Comparables. In this regard we are of the view that the Conversion price is in line with the recent market practice and is fair and reasonable.

Based on the above, we consider the principal terms of the Convertible Bonds are fair and reasonable and are in the interests of the Company and the Independent Shareholders as a whole.

4. *Financial effects of the Acquisition*

Earnings

Following the establishment of the JV Company, the JV Company will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated to the Group's accounts. Taking into account the rental income of the Properties and the fact that the Convertible Bonds carry zero coupons, we consider that there will be improvements to the future profitability of the Group.

Net assets

As set out in the unaudited pro forma consolidated statement of financial position of the Enlarged Group, assuming the Acquisition had taken place on 31 December 2014, it is expected that the net assets of the Enlarged Group will increase from approximately HK$135.0 million to approximately HK$198.8 million mainly due to the inclusion of the Target Group's properties in the financial statements of the Enlarged Group.

Gearing

As at 31 December 2014, the total liabilities of the Group amounted to approximately HK$29.7 million and the Group's gearing ratio (measured by total liabilities to total assets) was approximately 0.18. According to Appendix IV to the Circular, the pro forma total liabilities of the Enlarged Group will increase from approximately HK$29.7 million to approximately HK$94.6 million and the pro forma total assets of the Enlarged Group will increase from approximately HK$164.7 million to approximately HK$293.4 million. Hence, the pro forma gearing ratio of the Enlarged Group will increase to approximately 0.32 following the Acquisition.

Cashflow

The Acquisition will be satisfied by the Convertible Bonds with zero coupon and hence there will be no negative impact on the cashflow of the Group in this regard. The pro forma combined cash and bank balances of the Enlarged Group will be increased after consolidated with that of the Target Group as set out in the Appendix IV to the Circular.

Based on the foregoing, we are of the view that the Acquisition is generally favorable to the financial performance of the Enlarged Group despite a moderate increase in gearing.

5. Possible dilution effect on the shareholding of the Company

Reference is made to the shareholding structure of the Company as set out in the section headed "Effect of the Acquisition on the Shareholding Structure" in the Letter from the Board. Upon issue of the Convertible Bonds, there will be no change to the shareholding structure of the Company. Upon full exercise of the conversion rights attached to the Convertible Bonds and the issuance of the Conversion Shares, the shareholding of the public Shareholders will be diluted from approximately 91.37% to approximately 87.56%.

Taking into account the above factors, in particular, the following:

(i) the Consideration of HK$93,000,000 represents a discount of approximately 26.5% to the market value of the Properties;

(ii) the Conversion Price represents a premium over the last ten trading days immediately prior to and including the Last Trading Day, last 30 trading days immediately prior to and including the Last Trading Day and 12-month average closing price during the Pre-announcement Period respectively;

(iii) the Conversion Price represents a premium of approximately 369.04% over the audited net asset value attributable to owners of the Company per Share as at 31 December 2014;

(iv) the discount of the Conversion Price to the closing price of the Shares is above the mean of the CB Comparables;

(v) the settlement of the Consideration by way of issue of the Convertible Bonds can serve to preserve the cash resources of the Group;

(vi) the fairness and reasonableness of the Consideration based on the Valuation Report as discussed in the subparagraph headed "Principal terms of the Sale and Purchase Agreement – Consideration" above; and

(vii) the favorable financial impacts to the Group as discussed in the paragraph headed "Financial effects of the Acquisition" above,

we are of the opinion that the slight dilution to the shareholding interests of the Independent Shareholders in the event that the Consideration Shares are issued is acceptable so far as the Independent Shareholder are concerned.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Acquisition and the transactions contemplated under the Sale and Purchase Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, though not in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the ordinary resolution to approve the Acquisition and the transactions contemplated under the Sale and Purchase Agreement at the SGM.

Yours faithfully,
For and on behalf of
Octal Capital Limited
Alan Fung **Louis Chan**
Managing Director *Director*

Note: Mr. Alan Fung has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2003. Mr. Fung has more than 20 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong. Mr. Louis Chan has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2008. Mr. Chan has more than 10 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of mergers and acquisitions, connected transactions and transactions subject to the compliance to the Takeovers Code of listed companies in Hong Kong.

I. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the years ended (i) 31 December 2012 ("**FY2012**"), (ii) 31 December 2013 ("**FY2013**"), and (iii) 31 December 2014 ("**FY2014**") are set out in the respective audited consolidated financial statements of the Group, which have been published and disclosed (i) on pages 29 to 88 in the FY2012 annual report; (ii) on pages 28 to 92 in the FY2013 annual report; and (iii) on pages 30 to 104 in the FY2014 annual report; of the Company for the respective years and posted on both the GEM website (www.hkgem.com) and the website of the Company (http://www.aplushk.com/clients/8166chinaeco-farming/index.html), respectively.

The links to the annual reports of the Group for each of the years ended 31 December 2012, 31 December 2013, and 31 December 2014 published are, respectively:

http://www.hkexnews.hk/listedco/listconews/GEM/2013/0327/GLN20130327167.pdf

http://www.hkexnews.hk/listedco/listconews/GEM/2014/0328/GLN20140328069.pdf

http://www.hkexnews.hk/listedco/listconews/GEM/2015/0330/GLN20150330043.pdf

II. INDEBTEDNESS STATEMENT

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

(i) Bank borrowing

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding bank borrowing of approximately Taiwan Dollars ("**TWD**") 40,804,000, equivalent to approximately HK$10,568,000, which was secured by the Group's investment property with carrying value of approximately TWD90,221,000, equivalent to approximately HK$23,367,000.

(ii) Other indebtedness

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$1,788,000 due to non-controlling shareholders of the subsidiaries and other borrowings of approximately HK$10,747,000, which both were unsecured, interest-free and repayable on demand.

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding convertible bonds with principal amount of HK$44,000,000.

(iii) Contingent liabilities

As at the close of business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had no material contingent liabilities.

Save as aforesaid or otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of the business on 31 May 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

III. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, in the absence of unforeseeable circumstances, and after taking into account the Enlarged Group's internal resources, existing available financial resources, net proceeds of HK$124,400,000 from the placing of shares of the Company completed on 2 July 2015 and the Completion, the Enlarged Group will have sufficient working capital for its requirements for the next twelve months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Group since 31 December 2014, being the date to which the latest audited consolidated financial statements of the Group were made up.

V. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the principal activity of the Company is investment holding and the principal activities of the Group are provision of one-stop value chain services, property investment, trading of agricultural products. Upon Completion, the Enlarged Group will continue to carry on with its principal businesses, while the Acquisition is expected to enhance the property investment portfolio of the Group.

Looking forward, the Directors are confident in the investment opportunities and future of the property market in PRC. Meanwhile, the Enlarged Group will strive to optimise the management and operation capability, in an effort to enhance the Enlarged Group's overall competitiveness and improve its business and financial performance.

The Directors are of the view that the Enlarged Group will continue to be committed to the development of the existing property investment business, taking prudent steps to strengthen its management and operation capability, and actively seek other businesses that are conducive to bringing more robust profits to repay the shareholders for their support.

The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for incorporation in the circular.

信永中和
ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

27 July 2015

The Board of Directors
China Eco-farming Limited
25/F., Siu On Centre
188 Lockhart Road
Wan Chai
Hong Kong

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information (the "Financial Information") regarding China Smart Asia Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") which comprises the consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 31 May 2015, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2012, 2013 and 2014 and the five months ended 31 May 2015 (the "Relevant Periods") together with the notes thereto. The Financial Information has been prepared by the directors of the Target Company for inclusion in Appendix II to the circular dated 27 July 2015 (the "Circular") issued by China Eco-Farming Limited (the "Company") in connection with the proposed acquisition of the entire equity interest of the Target Group (the "Proposed Acquisition").

The Target Company was incorporated in Hong Kong with limited liability on 20 March 2009. The Target Company is principally engaged in investment holding. The address of the registered office and principle place of business of the Target Company is 2/F., SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

At 31 December 2012, 2013 and 2014, 31 May 2015 and the date of this report, the Target Company had the following subsidiary:

			Equity interests attribute to the Target Company					
			As at 31 December					
Name of subsidiary	Date and place of establishment	Fully paid registered capital	2012	2013	2014	As at 31 May 2015	Date of this report	Principal activity
深圳市盛世富強科技有限公司 *Shenzhen Shengshi Fuqiang Technology Co., Ltd*. ("Shengshi")*	14 September 2009 The People's Republic of China ("PRC")	US$5,000,000	100%	100%	100%	100%	100%	Properties investment

* *English name is for identification purpose only*

Shengshi is a wholly foreign owned enterprise. The Target Company and its subsidiary have adopted 31 December as their financial year end date.

The statutory financial statements of the Target Company for the years ended 31 December 2012 and 2013 were prepared in accordance with the applicable accounting principles and regulations applicable in Hong Kong and were audited by SHINEWING CPA (HK) Limited. The statutory financial statements of the Target Company for the year ended 31 December 2014 were audited by Zhonglei (HK) CPA Company Limited, certified public accountants registered in Hong Kong.

The statutory financial statements of Shengshi were prepared in accordance with relevant accounting principles and regulations in the PRC and were audited by Shenzhen Huitian Certified Public Accountants registered in the PRC for the year ended 31 December 2012. The statutory financial statements of Shengshi for the years ended 31 December 2013 and 2014 have been prepared by the directors of Shengshi in accordance with the relevant accounting principles and regulations in the PRC. However, these statutory financial statements were not audited by certified public accountants.

For the purpose of this report, the directors of the Target Company has prepared the consolidated financial statements of the Target Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). We have carried out independent audit procedures on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company based on the Underlying Financial Statements on the basis set out in note 2 to the Financial Information with no adjustments thereto, and in accordance with the applicable disclosure provision of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The directors of the Target Company is responsible for the preparation of the Financial Information that give a true and fair view in accordance with HKFRSs issued by the HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the directors of the Target company determine is necessary to enable the presentation of the Financial Information that is free from material misstatement, whether due to fraud or error. The directors of the Company are responsible for the contents of the Circular in which this report is included.

Our responsibility is to form an independent opinion on the Financial Information based on our procedures and to report our opinion to you.

In our opinion, on the basis of preparation set out in note 2 to the Financial Information, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target Group as at 31 December 2012, 2013 and 2014 and 31 May 2015 and of the consolidated results and consolidated cash flows of the Target Group for the Relevant Periods.

The comparative consolidated statements of profit or loss and other comprehensive income, cash flows and changes in equity of the Target Group for the five months ended 31 May 2014 together with the notes thereon have been extracted from the Target Group's unaudited financial information for the same period (the "31 May 2014 Financial Information") which was prepared by the directors of the Target Company solely for the purpose of this report. We have reviewed the 31 May 2014 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 31 May 2014 Financial Information consisted of making enquires, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 31 May 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 31 May 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the Financial Information which indicates that the Target Company incurred consolidated loss attributable to the owners of the Target Company of approximately HK$2,435,000, HK$4,114,000, HK$21,049,000, HK$9,892,000 for the years ended 31 December 2012, 2013 and 2014 and for five months ended 31 May 2015 respectively, and as at 31 December 2014 and 31 May 2015, the Target Company had net deficit of approximately HK$14,127,000 and HK$24,019,000 respectively. These conditions, along with other matters as set forth in note 2 to the Financial Information, indicate the existence of a material uncertainty which may cast significant doubt about the Target Company's ability to continue as a going concern.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Five months ended 31 May	
		2012	**2013**	**2014**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)	
Revenue	*8*	637	644	382	273	1,237
Other income and gain	*10*	622	1,009	244	241	–
Administrative expenses		(12,445)	(9,962)	(10,012)	(4,302)	(3,255)
Unrealised gain (loss) from fair value changes of investment properties	*15*	2,037	558	674	–	(12,514)
Allowance for impairment of other receivables	*17*	–	–	(9,268)	–	–
Loss before tax		(9,149)	(7,751)	(17,980)	(3,788)	(14,532)
Income tax credit (expense)	*11*	2,561	(784)	(3,199)	–	4,238
Loss for the year/period	*12*	(6,588)	(8,535)	(21,179)	(3,788)	(10,294)
Other comprehensive income (expense)						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising from translation of foreign operation		4,153	4,421	130	(170)	402
Total comprehensive expense for the year/period		(2,435)	(4,114)	(21,049)	(3,958)	(9,892)

Note: Loss per share of the Target Company for the years ended 31 December 2012, 2013 and 2014 and five months ended 31 May 2014 and 2015 are not presented as such information is not considered meaningful in the context of this report.

Consolidated Statements of Financial Position

		As at 31 December			As at 31 May
		2012	2013	2014	2015
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Plant and equipment	*14*	446	618	933	782
Investment properties	*15*	132,857	137,864	138,538	126,530
		133,303	138,482	139,471	127,312
Current assets					
Rental receivables	*16*	–	–	48	472
Prepayment, deposits and other receivables	*17*	19,802	13,915	662	895
Bank balances and cash	*18*	1,679	2,535	1,139	1,393
		21,481	16,450	1,849	2,760
Current liabilities					
Accruals and other payables	*19*	3,340	9,227	10,209	10,624
Amount due to ultimate holding company	*20*	98,834	95,434	–	–
Amount due to immediate holding company	*20*	18,017	18,015	120,204	122,580
Amounts due to fellow subsidiaries	*20*	2,365	3,358	–	–
		122,556	126,034	130,413	133,204
Net current liabilities		(101,075)	(109,584)	(128,564)	(130,444)
Total assets less current liabilities		32,228	28,898	10,907	(3,132)
Non-current liability					
Deferred tax liabilities	*21*	21,192	21,976	25,034	20,887
Net assets (liabilities)		11,036	6,922	(14,127)	(24,019)
Capital and reserves					
Share capital	*22*	–	–	–	–
Reserves		11,036	6,922	(14,127)	(24,019)
Total equity (Net deficit)		11,036	6,922	(14,127)	(24,019)

Consolidated Statements of Changes in Equity

	Paid-in Capital *HK$'000*	**Translation reserve** *HK$'000*	**Retained earnings (accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 January 2012	–	(7,868)	21,339	13,471
Loss for the year	–	–	(6,588)	(6,588)
Other comprehensive income for the year:				
Exchange differences arising from translation of foreign operation	–	4,153	–	4,153
At 31 December 2012 and 1 January 2013	–	(3,715)	14,751	11,036
Loss for the year	–	–	(8,535)	(8,535)
Other comprehensive income for the year:				
Exchange differences arising from translation of foreign operation	–	4,421	–	4,421
At 31 December 2013 and 1 January 2014	–	706	6,216	6,922
Loss for the year	–	–	(21,179)	(21,179)
Other comprehensive income for the year:				
Exchange differences arising from translation of foreign operation	–	130	–	130
At 31 December 2014 and 1 January 2015	–	836	(14,963)	(14,127)
Loss for the period	–	–	(10,294)	(10,294)
Other comprehensive income for the year:				
Exchange differences arising from translation of foreign operation	–	402	–	402
At 31 May 2015	–	1,238	(25,257)	(24,019)
At 1 January 2014 (audited)	–	706	6,216	6,922
Loss for the period	–	–	(3,788)	(3,788)
Other comprehensive expense for the year:				
Exchange differences arising on translation	–	(170)	–	(170)
At 31 May 2014 (unaudited)	–	536	2,428	2,964

Consolidated Statements of Cash Flows

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
OPERATING ACTIVITIES					
Loss before tax	(9,149)	(7,751)	(17,980)	(3,788)	(14,532)
Adjustments for:					
Depreciation for plant and equipment	293	418	407	73	154
Allowance for impairment of other receivables	–	–	9,268		
Fair value change of investment properties	(2,037)	(558)	(674)	–	12,514
Gain on disposal of plant and equipment	–	–	(240)	(240)	–
Bank interest income	(4)	(1)	(4)	(1)	–
Operating cash outflows before movements in working capital	(10,897)	(7,892)	(9,223)	(3,956)	(1,864)
Increase in rental receivables	–	–	(48)	–	(424)
Decrease (increase) in prepayment, deposits and other receivables	4,092	5,857	3,985	3,628	(233)
Increase (decrease) in accruals and other payables	3,702	156	973	(1,430)	(272)
Cash (used in) generated from operations	(3,103)	(1,879)	(4,313)	(1,758)	(2,793)
Income tax paid	–	–	–	–	–
NET CASH USED IN OPERATING ACTIVITIES	(3,103)	(1,879)	(4,313)	(1,758)	(2,793)

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
INVESTING ACTIVITIES					
Purchase of plant and equipment	(71)	(588)	(724)	(640)	(6)
Proceeds on disposal of plant and equipment	–	–	240	240	–
Interest received	4	1	4	1	–
NET CASH USED IN INVESTING ACTIVITIES	(67)	(587)	(480)	(399)	(6)
FINANCING ACTIVITIES					
Loans advanced from independent third parties	–	5,731	–	–	677
(Decrease) increase in amounts due to fellow subsidiaries	(301)	993	(3,358)	(3,404)	–
Increase (decrease) in amount due to ultimate holding company	3,284	(3,400)	(95,434)	(95,434)	–
(Decrease) increase in amount due to immediate holding company	(1,862)	(2)	102,189	99,510	2,376
NET CASH FROM FINANCING ACTIVITIES	1,121	3,322	3,397	672	3,053
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,049)	856	(1,396)	(1,485)	254
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	3,728	1,679	2,535	2,535	1,139
Effect of foreign exchange rate changes	–	–	–	–	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash	1,679	2,535	1,139	1,050	1,393

II. NOTES TO THE FINANCIAL INFORMATION

1. General

The Target Company was incorporated in Hong Kong with limited liability on 20 March 2009. The Target Company is principally engaged in investment holding. The address of the registered office and principal place of business of the Target Company is 2/F., SBI Centre, Nos. 54-58 Des Voeux Road Central, Hong Kong.

As at 31 December 2012, 2013 and 2014 and 31 May 2015 and at the date of this report, the ultimate holding company of the Target Company is Chinese Strategic Holdings Limited (formerly known as China Railway Logistics Limited) ("Chinese Strategic"), a company incorporated in Bermuda. Chinese Strategic's shares are listed on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Financial Information is presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Target Company.

2. Basis of preparation of the financial information

As at 31 December 2012, 2013 and 2014 and as at 31 May 2015, the Target Group had net current liabilities of HK$101,075,000, HK$109,584,000, HK$128,564,000 and HK$130,444,000. As at 31 December 2014 and 31 May 2015, the Target Group had net deficiency of approximately HK$14,127,000 and HK$24,019,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. The Financial Information has been prepared on a going concern basis, the validity of which depends upon the support of immediate holding company which has agreed not to demand for any repayment of the amount owed by the Target Group approximately HK$120,204,000 and HK$122,580,000 as at 31 December 2014 and 31 May 2015 respectively until the Target Group is in a financial position to do so. Upon completion of the Proposed Acquisition, the validity of going concern basis will depend upon the financial support of the Company, at a level sufficient to finance the working capital requirements of the Target Group. The Company has agreed to provide adequate funds for the Target Group to meet its liabilities as they fall due. The directors of the Target Company is therefore of the opinion that it is appropriate to prepare the Financial Information on a going concern basis. The Financial Information does not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Target Group be unable to continue as a going concern.

3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has consistently applied all of the new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations (hereinafter collectively referred to as "new and revised HKFRSs") issued by the HKICPA which are effective for the financial year beginning on 1 January 2015 throughout the Relevant Periods.

Part 9 of Hong Kong Companies Ordinance (Cap. 622)

In addition, the annual report requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the Relevant Periods. As a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

The Target Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments[3]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure initiatives[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]

[1] *Effective for annual periods beginning on or after 1 January 2016.*
[2] *Effective for annual periods beginning on or after 1 January 2017.*
[3] *Effective for annual periods beginning on or after 1 January 2018.*

The directors of the Target Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact of the results and financial position of the Target Group.

HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Target Company anticipate that the adoption of HKFRS 9 (2014) in the future may not have significant impact on amounts reported in respect of the Target Company's financial assets and financial liabilities.

HKFRS 15 Revenue from Contracts with Customers

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

(i) Identify the contract with the customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations; and

(v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted. The directors of the Target Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Target Group's Financial Information.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements 'if not disclosed elsewhere in the interim financial report'. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors of Target Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012-2014 Cycle will have a material effect on the Target Group's Financial Information.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity's financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Furthermore, the amendments clarify that:

(i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and

(ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Target Company do not anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Target Group's Financial Information.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

(i) when the intangible asset is expressed as a measure of revenue;

(ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

i) at cost;

ii) in accordance with HKFRS 9 (or HKAS 39); or

iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Target Company does not have any investment in associates or joint ventures, the directors of the Target Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Target Group's Financial Information.

4. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for the investment properties that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial statements of the Target Company and entity controlled by the Target Company (i.e. its subsidiary). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the Financial Information for like transactions and events in similar circumstances (please specify), appropriate adjustments are made to that subsidiary's financial statements in preparing the Financial Information to ensure conformity with the group's accounting policies.

Control is achieved where the Target Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Target Group's returns. When the Target Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Target Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Target Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Target Group obtains control of the subsidiary and ceases when the Target Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Target Group are eliminated in full on consolidation.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Target Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities including accruals and other payables and amounts due to ultimate holding company/immediate holding company/fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on plant and equipment

At the end of the reporting period, the Target Group reviews the carrying amounts of its plant and equipment with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Target Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Target Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts and sales related taxes.

The Target Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Target Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Retirement benefit costs

Payments to the PRC local government defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Target Group in respect of services provided by employees up to the reporting date.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from 'loss before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further exclude items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the Financial Information of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Financial Information, the assets and liabilities of the Target Group's foreign operations are translated into the presentation currency of the Target Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, the director of the Target Company is required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in Financial Information. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Going concern consideration

The assessment of the going concern assumption involves making a judgment by the directors of the Target Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Target Company considers that the Target Group has the ability to continue as a going concern and the major events or conditions, which may give rise to liquidity risk, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities arising from investment properties that are measured using the fair value model, the directors of the Target Company have reviewed the Target Group's investment property portfolios and concluded that the Target Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Target Group's deferred taxation on investment properties, the directors of the Target Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Target Group has recognised deferred tax liabilities on changes in fair value of investment properties as the Target Group subject to income taxes on disposal of its investment properties.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and the residual values involve management's estimation. The Target Group assesses annually the useful lives and the residual values of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the period and the estimate will be changed in the future period.

Estimated impairment of other receivables

The Target Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtors' current credit-worthiness, as determined by the review of their current credit information. The Target Group continuously monitors collections and payments from its debtors and maintains a provision of estimated credit losses based upon its historical experience. As at 31 December 2012, 2013 and 2014 and 31 May 2015, the gross carrying amounts of other receivables are approximately HK$19,784,000, HK$13,890,000, HK$9,914,000 and HK$10,130,000 respectively, no impairment loss was provided as at 31 December 2012 and 2013 and 31 May 2015 and impairment loss of approximately HK$9,268,000 was recognised during the year ended 31 December 2014.

Estimation of fair value of investment properties

Investment properties are stated at fair values based on the valuations performed by independent professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Target Company have exercised their judgement and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

As at 31 December 2012, 2013, 2014 and 31 May 2015, the carrying amounts of the investment properties are approximately HK$132,857,000, HK$137,864,000, HK$138,538,000 and HK$126,530,000. For the valuation methodologies and assumptions used for the valuation of the investment properties, please refer to note 15 for details.

6. Capital risk management

The Target Group manages its capital to ensure that entities in the Target Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes amount due to ultimate holding company, amount due to immediate holding company, amount due to fellow subsidiaries, cash and cash equivalents and equity attributable to owners of the Target Company, comprising share capital and reserves.

The directors of the Target Company review the capital structure on a regular basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debts or the repayment of existing debts.

7. Financial instruments

(a) Categories of financial instruments

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
Rental deposits	–	–	48	472
Other receivables (including bank balances and cash)	21,462	16,425	1,785	2,255
	21,462	16,425	1,833	2,727
Financial liabilities				
At amortised costs	122,556	126,034	130,429	133,146

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include rental receivables, deposits and other receivables, bank balances and cash, accruals and other payables, amount due to ultimate holding company, amount due to immediate holding company and amounts due to fellow subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Target Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at the end of each reporting period, the Target Group's maximum exposure to credit risk which will cause a financial loss to the Target Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

The Target Group has no significant concentration of credit risk, with exposures spread over a number of counterparties.

The Target Group reviews the recoverable amount of each individual debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Target Group consider that the Target Group's credit risk is significantly reduced.

The credit quality of the counterparties in respect of amounts due from related companies is assessed by taking into account their financial position, credit history and other factors. The directors of the Target Company are of the opinion that the risk of default by these counterparties is low.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by authorised credit rating agencies.

Market risk

Interest rate risk

As at 31 December 2012, 2013, 2014 and 31 May 2015, the Target Group is exposed to cash flow interest rate risk in relation to bank balances carried at prevailing floating interest rate. However, such exposure is minimal to the Target Group as the bank balances are all short-term in nature.

Sensitivity analysis

The directors of the Company considered the Target Group's and the Company's exposure to interest rate risk is not material. Hence, no interest rate risks sensitively analysis is presented.

Foreign currency risk

All the rental incomes of the respective entities making the rental income of the Target Group are denominated in Renminbi ("RMB"). Accordingly, the directors of the Target Group considered that the Target Group is not exposed to material transactional foreign currency risk. The Target Group currently does not have a foreign currency hedging policy. The directors of the Target Group will monitor foreign currency exposure and consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The directors of the Company considered the Target Group's and the Company's exposure to foreign currency risk is not material. Hence no foreign currency risks sensitively analysis is presented.

Liquidity risk

The Target Group is exposed to liquidity risk. As at 31 December 2012, 2013 and 2014 and as at 31 May 2015, the Target Group had net current liabilities of HK$101,075,000, HK$109,584,000, HK$128,564,000 and HK$130,444,000. As at 31 December 2014 and 31 May 2015, the Target Group had capital deficiency of approximately HK$14,127,000 and HK$24,019,000. The ability of the Target Group to operate as a going concern depends on the ongoing support from its holding company.

The directors of the Target Company have given careful consideration on the measure currently undertaken in respect of the Target Group's liquidity position. As detailed in note 2, the directors of the Target Company believe that the Target Group will be able to meet its financial obligations as they fall due in the foreseeable future.

In the management of the liquidity risk, the Target Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

	On demand or within one year	**One to two years**	**Total undiscounted cash flows**	**Carrying amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2012				
Non-derivative financial liabilities				
Accruals and other payables	3,340	–	3,340	3,340
Amount due to ultimate holding company	98,834	–	98,834	98,834
Amount due to immediate holding company	18,017	–	18,017	18,017
Amounts due to fellow subsidiaries	2,365	–	2,365	2,365
	122,556	–	122,556	122,556

	On demand or within one year	One to two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2013				
Non-derivative financial liabilities				
Accruals and other payables	9,227	–	9,227	9,227
Amount due to ultimate holding company	95,434	–	95,434	95,434
Amount due to immediate holding company	18,015	–	18,015	18,015
Amounts due to fellow subsidiaries	3,358	–	3,358	3,358
	126,034	–	126,034	126,034

	On demand or within one year	One to two years	Total undiscounted cash flows	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2014				
Non-derivative financial liabilities				
Accruals and other payables	10,209	–	10,209	10,209
Amount due to ultimate holding company	–	–	–	–
Amount due to immediate holding company	120,204	–	120,204	120,204
Amounts due to fellow subsidiaries	–	–	–	–
	130,413	–	130,413	130,413

	On demand or within one year HK$'000	One to two years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 May 2015				
Non-derivative financial liabilities				
Accruals and other payables	10,566	–	10,566	10,566
Amount due to ultimate holding company	–	–	–	–
Amount due to immediate holding company	122,580	–	122,580	122,580
Amounts due to fellow subsidiaries	–	–	–	–
	133,146	–	133,146	133,146

(c) Fair values of financial assets and liabilities

The directors of the Target Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values due to short-term or immediate maturities.

8. Revenue

Revenue represents rental income derived from investment properties for the Relevant Periods and for the five months ended 31 May 2014.

9. Segment information

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Target Group that are regularly reviewed by the chief operating decision maker (the directors of the Target Group) in order to allocate resources to the segment to assess its performance.

For management purpose, the Target Group operates in one business unit, and has one reportable and operating segment: properties investment. The directors of the Target Group monitors the revenue of this business unit as a whole based on the monthly report for the purpose of making decisions about resource allocation and performance assessment. Segment revenue and results; and segment assets and liabilities are presented in the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial statements respectively.

Information about geographical areas

The Target Group's operation is located in Hong Kong and the PRC.

All the Target Group's revenue from properties investment from external customers is generated in the PRC. Information about the Group's non-current assets is presented based on the geographical location of the assets:

				As at
		As at 31 December		**31 May**
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	274	73	590	501
The PRC	133,029	138,409	138,881	126,811
	133,303	138,482	139,471	127,312

Information about major customers

Revenue from customers of corresponding years contributing over 10% of the total revenue of the Target Group are as follows:

	As at 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Customer A	N/A[1]	N/A[1]	159	235	1,174
Customer B	106	107	64	46	N/A[1]
Customer C	88	90	N/A	30	N/A[1]
Customer D	88	89	53	38	N/A[1]
Customer E	N/A[1]	358	N/A[1]	N/A[1]	N/A[1]
Customer F	355	N/A[1]	N/A[1]	N/A[1]	N/A[1]

[1] *The corresponding revenue did not contribute any revenue or over 10% of the total revenue of the Target Group.*

10. Other income and gain

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	4	1	4	1	–
Gain on disposal of plant and equipment	–	–	240	240	–
Service income *(note 26)*	600	1,008	–	–	–
Others	18	–	–	–	–
	622	1,009	244	241	–

11. Income tax credit (expense)

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Deferred tax *(note 21)*	2,561	(784)	(3,199)	–	4,238

No provision for Hong Kong Profits Tax had been made as the Target Group did not generate any assessable profit arising from Hong Kong during the Relevant Periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target Group is 25% for the Relevant Periods and five months ended 31 May 2014.

The income tax expense for the Relevant Periods can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Loss before tax	(9,149)	(7,751)	(17,980)	(3,788)	(14,532)
Tax at the domestic income tax rate	(2,287)	(1,938)	(4,495)	(947)	(3,633)
Tax effect of expenses not deductible for tax purpose	4,513	2,077	4,664	525	7,901
Tax effect of income not taxable for tax purpose	(510)	(3,199)	(5,591)	–	(39)
Tax effect of unused tax losses not recognised	845	2,276	2,223	422	9
Income tax expense for the year	2,561	(784)	(3,199)	–	4,238

Details of deferred tax are set out in note 21.

12. Loss for the year/period

Loss for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Directors' emoluments *(note a)*	–	–	–	–	–
Staff costs *(note b)*					
– salaries, wages and other benefits	2,254	3,591	3,928	1,735	1,211
– retirement benefits scheme contributions	119	300	230	119	49
Total staff costs	2,373	3,891	4,158	1,854	1,260
Auditor's remuneration *(note c)*	–	–	–	–	–
Gain on disposal of plant and equipment	–	–	240	240	–
Depreciation of plant and equipment	293	418	407	73	154
Gross rental income from investment properties	(637)	(644)	(382)	(273)	(1,237)
Less: direct operating expenses incurred for investment properties that generated rental income during the year/period	502	415	621	259	206
	(135)	(229)	239	(14)	(1,031)

Notes:

(a) Directors' emoluments

No emoluments have been paid by the Target Group to the directors of the Company as an inducement to join or upon joining the Target Group or as compensation for loss of office for the Relevant Periods. No emoluments have been paid and waived for directors, Chan Shui Sheung, Ivy and Lam Kwok Hing, Wilfred for the year ended 31 December 2014 and period ended 31 May 2015 (Chan Shui Sheung, Ivy and Yeung Sau Han, Agnes for the years ended 31 December 2012, 2013 and 2014).

(b) Employees' emoluments

Of the five highest emoluments of the Target Group, none of them was a director of the Target Company during the Relevant Periods and the five months ended 31 May 2014. Details of emoluments paid to the five individuals of the Target Group during the Relevant Periods and the five months ended 31 May 2014 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2012	**2013**	**2014**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Salaries and other benefits	1,388	1,732	2,255	937	889
Contributions to retirement contribution schemes	15	5	22	11	16
	1,403	1,737	2,277	948	905

(c) Auditor's remuneration

The auditor's remunerations for the years ended 31 December 2012, 2013 and 2014 and five months ended 31 May 2014 and 2015 were borne by the ultimate holding company.

13. Dividend

No dividend was paid or proposed during the Relevant Periods, nor has any dividend been proposed since the end of reporting period.

14. Plant and equipment

	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
COST			
At 1 January 2012	650	278	928
Additions	–	71	71
Exchange realignment	–	1	1
At 31 December 2012 and 1 January 2013	650	350	1,000
Additions	514	74	588
Exchange realignment	–	10	10
At 31 December 2013 and 1 January 2014	1,164	434	1,598
Additions	724	–	724
Disposal	(650)	–	(650)
Exchange realignment	(3)	(2)	(5)
At 31 December 2014 and 1 January 2015	1,235	432	1,667
Additions	–	6	6
At 31 May 2015	1,235	438	1,673
ACCUMULATED DEPRECIATION			
At 1 January 2012	227	34	261
Charge for the year	195	98	293

	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
At 31 December 2012 and 1 January 2013	422	132	554
Charge for the year	305	113	418
Exchange realignment	2	6	8
At 31 December 2013 and 1 January 2014	729	251	980
Charge for the year	317	90	407
Eliminated on disposals	(650)	–	(650)
Exchange realignment	(1)	(2)	(3)
At 31 December 2014 and 1 January 2015	395	339	734
Charge for the period	141	13	154
Exchange realignment	2	1	3
At 31 May 2015	538	353	891
CARRYING VALUES			
At 31 December 2012	228	218	446
At 31 December 2013	435	183	618
At 31 December 2014	840	93	933
At 31 May 2015	697	85	782

Depreciation is recognised so as to write off the cost of plant and equipment less their residual value, if any, using the straight line method over their estimated useful lives as follows:

- Motor vehicles $3\frac{1}{3}$ years
- Office equipment 5 years

15. Investment properties

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
FAIR VALUE				
At 1 January	130,116	132,857	137,864	138,538
Net increase (decrease) in fair value recognised in profit or loss	2,037	558	674	(12,514)
Exchange realignment	704	4,449	–	506
	132,857	137,864	138,538	126,530

The fair value of the Target Group's investment properties at 31 December 2012, 2013, 2014 and 31 May 2015 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited ("Asset Appraisal") or Avista Valuation Advisory Limited ("Avista"), independent qualified professional valuers not connected with the Target Group.

The valuation of certain investment properties was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

For other investment properties without market transaction prices information, the fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in related location and adjusted to take into account the market expectation from property investors to reflect factors specific to the Target Group's investment properties.

There has been no change from the valuation technique used in the prior years.

In estimating the fair value of the investment properties, the highest and best use of the properties is their current use.

All of the Target Group's property interest held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Target Group's investment properties and information about the fair value hierarchy as at 31 December 2012, 2013 and 2014 and 31 May 2015 are as follows:

	Level 2	**Level 3**	**Fair value as at 31 December 2012**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	28,287	104,570	132,857

	Level 2	**Level 3**	**Fair value as at 31 December 2013**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	29,678	108,186	137,864

	Level 2	**Level 3**	**Fair value as at 31 December 2014**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	25,201	113,337	138,538

	Level 2	**Level 3**	**Fair value as at 31 May 2015**
	HK$'000	*HK$'000*	*HK$'000*
Investment properties	20,498	106,032	126,530

There were no transfers between levels of fair value hierarchy during the year.

Valuation techniques and inputs used in Level 2 fair value measurements of investment properties:

The fair value of certain investment properties located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available.

Information about Level 3 fair value measurements of investment properties:

The fair value measurements of investment properties based on income approach determined by using discounted cash flow is positively correlated to the rental yield, and negatively correlated to the capitalisation rates. The significant unobservable inputs for the fair value measurements are the rental yield, ranged from RMB136, equivalent to approximately HK$172, per square feet per month to RMB145, equivalent to approximately HK$183, per square feet per month and the capitalisation rates, ranged from 4.25% to 4.75%. A slight increase in discount rate used would result in a significant decrease in fair value measurement of the properties, vice versa.

Reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

	Investment properties classified as Level 3
	HK$'000
1 January 2012	103,263
Net increase in fair value recognised in profit or loss	749
Exchange adjustments	558
31 December 2012 and 1 January 2013	104,570
Net increase in fair value recognised in profit or loss	114
Exchange adjustments	3,502
31 December 2013 and 1 January 2014	108,186
Net increase in fair value recognised in profit or loss	5,151
Exchange adjustments	–
31 December 2014 and 1 January 2015	113,337
Net decrease in fair value recognised in profit or loss	(7,719)
Exchange adjustments	414
31 May 2015	106,032

The above net increase in fair value recognised in profit or loss is included in consolidated statements of profit or loss and other comprehensive income and is included as unrealised gain (loss) from fair value changes of investment properties.

16. Rental Receivables

Monthly rental in respect of investment properties are due on demand in accordance with the lease agreements. The ageing analysis of balance based on invoice date is as follows:

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	–	–	48	236
31 to 60 days	–	–	–	236
	–	–	48	472

Included in the Target Group's rental receivables balance are debtors with aggregate carrying amount of HK$48,000 and HK$472,000 as at 31 December 2014 and 31 May 2015 respectively which are past due as at the end of the reporting year/period. The Target Group does not hold any collateral over these balances.

The aged analysis of rental receivables which are past due but not impaired is set out below:

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 30 days	–	–	48	236
31 to 60 days	–	–	–	236
	–	–	48	472

Rental receivables that were past due were from customers for whom there was no recent history of default and thus they were considered not impaired.

17. Prepayment, deposits and other receivables

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables and deposits	19,784	13,890	9,914	862
Less: accumulated impairment loss *(note a)*	–	–	(9,268)	–
	19,784	13,890	646	862
Prepayment	18	25	16	33
	19,802	13,915	662	895

The Target Group does not hold any collateral over these balances.

Note:

During the year ended 31 December 2011, the Target Group disposed certain inventories to an independent third party at a consideration of HK$23,197,000 as a result of cease of trading business. The balances of the proceeds as at 31 December 2012, 2013, 2014 and 31 May 2015 were approximately HK$19,585,000, HK$13,128,000, HK$9,268,000 and HK$9,268,000 respectively. The balances were unsecured, non-interest bearing and had been due as at 31 December 2013. Although the repayment schedule has been revised during the year ended 31 December 2014, the management considered that the recoverability of the balance was uncertain and impairment was considered as necessary for the year ended 31 December 2014. As such, the balance was fully impaired during the year ended 31 December 2014.

The movement in provision of accumulated impairment loss was as follows:

	For the year ended			For the five months ended
	2012	**2013**	**2014**	**31 May 2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At the beginning of the year/period	–	–	–	9,268
Impairment loss recognised	–	–	9,268	–
Impairment written-off	–	–	–	(9,268)
At the end of the year/period	–	–	9,268	–

For the five months period ended 31 May 2015, the amount has been written off as a result of the loss of contact with the debtor.

18. Bank balances and cash

Bank balances carry interest at market rates at 0.01% per annum throughout the Relevant Periods.

The Target Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities is as follows:

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
USD	707	707	707	707

19. Accruals and other payables

	As at 31 December			As at 31 May
	2012	2013	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Receipts in advance	–	–	469	496
Accrued expenses and other payables *(note)*	3,340	9,227	9,740	10,128
	3,340	9,227	10,209	10,624

Note:

The balance mainly comprised of personal loans of from two parties who have close relationship with the directors of the Company and both are willing to provide advance for the operation of the Company.

As at 31 December 2012, 2013, 2014 and 31 May 2015, the amount of personal loans of these two parties were approximately HK$3,006,000, HK$8,737,000, HK$8,738,000 and HK$9,425,000 respectively.

20. Amounts due to ultimate holding company/immediate holding company/fellow subsidiaries

The amounts are unsecured, interest-free and repayable on demand.

21. Deferred taxation

The following are deferred tax liability recognised and movements thereon during the relevant periods:

	Fair value changes in investment properties *HK$'000*
As 1 January 2012	23,753
Credit to profit or loss *(note 11)*	(2,561)
Exchange adjustment	–
At 31 December 2012 and 1 January 2013	21,192
Charge to profit or loss *(note 11)*	784
Exchange adjustment	–
At 31 December 2013 and 1 January 2014	21,976
Charge to profit or loss *(note 11)*	3,199
Exchange adjustment	(141)
At 31 December 2014 and 1 January 2015	25,034
Credit to profit or loss *(note 11)*	(4,238)
Exchange adjustment	91
At 31 May 2015	20,887

As at 31 December 2012, 2013 and 2014 and 31 May 2015, deferred tax liability of HK$21,192,000, HK$21,976,000, HK$25,034,000 and HK$20,887,000 respectively, had been presented as deferred tax liabilities on the consolidated statements of financial position.

At the end of the reporting periods, the Target Group has unused tax losses of approximately HK$3,381,000, HK$12,484,000, HK$21,375,000 and HK$21,410,000 as at 31 December 2012, 2013, 2014 and 31 May 2015 available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unused tax losses will expire after five years from the year of assessment to which they relate.

No withholding taxes were accrued as the subsidiary did not generate distributable profits for the Relevant Periods.

22. Share capital

The share capital of the Target Group at 31 December 2012, 2013 and 2014 and as at 31 May 2015 represented the paid in capital of the Target Company.

	Number of shares	**Share capital**
		HK$'000
Ordinary shares of HK$1 each *(Note i)*		
Authorised:		
At 1 January 2012, 31 December 2012, 31 December 2013	10,000	10
At 31 December 2014 and 31 May 2015 *(Note iii)*	N/A	N/A
Issued and fully paid:		
At 1 January 2012, 31 December 2012, 31 December 2013		
Ordinary share of HK$1 each	1	–
At 31 December 2014 and 31 May 2015 *(Note ii)*		
Ordinary share with no par value	1	–

Notes:

(i) The Company was incorporated with authorised capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each, of which 1 share of HK$1 each were allotted and issued at par for cash upon incorporation for the initial working capital.

(ii) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

(iii) Under the Hong Kong Companies Ordinance (Cap. 622), the concept of authorised share capital no longer exists commencing from 3 March 2014.

23. Commitment

Operating lease commitments

The Target Group as lessor

Rental income earned during the years/period ended 31 December 2012, 2013 and 2014 and 31 May 2015 were HK$637,000, HK$644,000, HK$382,000 and HK$1,237,000 respectively. No disposal has been occurred since the end of the Relevant Period. As at the years/period ended 31 December 2012, 2013 and 2014 and 31 May 2015, the rental yields were 0.4%, 0.5%, 0.2% and 1.0% respectively. The investment properties are expected to generate rental yields of 2.4% on an ongoing basis. All of the investment properties held have committed tenants for the next five years.

The Target Group leases certain of its investment properties under operating lease arrangements. The leases typically run for an initial period of one to five years. Rentals are fixed for the lease period.

At the end of the reporting periods, the Target Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	282	287	2,737	2,329
In the second to fifth year inclusive	752	479	5,781	4,943
	1,034	766	8,518	7,272

24. Statement of financial position of the target company

		As at 31 December			As at 31 May
		2012	**2013**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Plant and equipment		274	73	590	501
Investment in a subsidiary		13,352	12,689	-	–
		13,626	12,762	590	501

		As at 31 December			As at 31 May
		2012	**2013**	**2014**	**2015**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Current assets					
Prepayment and deposits		18	21	11	28
Amount due from a subsidiary	*(a)*	77,657	70,657	67,239	59,522
Bank balances and cash		180	1,420	36	31
		77,855	72,098	67,286	59,581
Current liabilities					
Other payables		108	10	678	400
Amount due to ultimate holding company	*(a)*	98,834	95,434	–	–
Amount due to immediate holding company	*(a)*	18,017	18,015	120,204	122,580
Amounts due to fellow subsidiaries	*(a)*	2,365	3,358	–	–
		119,324	116,817	120,882	122,980
Net current liabilities		(41,469)	(44,719)	(53,596)	(63,399)
Net liabilities		(27,843)	(31,957)	(53,006)	(62,898)
Capital and reserves					
Share capital		–	–	–	–
Accumulated losses	*(b)*	(27,843)	(31,957)	(53,006)	(62,898)
Net deficit		(27,843)	(31,957)	(53,006)	(62,898)

Notes:

(a) Balances represent amount due from a subsidiary and amount due to fellow subsidiaries, ultimate holding company and immediate holding company are unsecured, interest-free and repayable on demand.

(b) Accumulated losses

	Accumulated losses
	HK$'000
At 1 January 2012	(22,956)
Loss for the year and total comprehensive expense for the year	(4,887)
At 31 December 2012 and 1 January 2013	(27,843)
Loss for the year and total comprehensive expense for the year	(4,114)
At 31 December 2013 and 1 January 2014	(31,957)
Loss for the year and total comprehensive expense for the year	(21,049)
At 31 December 2014 and 1 January 2015	(53,006)
Loss for the period and total comprehensive expense for the period	(9,892)
At 31 May 2015	(62,898)

25. Retirement benefits schemes

The Target Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of these schemes were held separately from those of the Target Group in funds under the control of trustees. The cost charged to the consolidated statement of profit or loss and other comprehensive income represented contributions payable to the funds by the Target Group at rates specified in the rules of the scheme.

In addition to the MPF Scheme for the Target Group's employees in Hong Kong, the Target Group is required to contribute to central pension schemes for certain Group's employees in the PRC based on applicable rates of monthly salary in accordance with government regulations. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specific contributions.

26. Related party transactions

The Target Group entered into the following significant transaction with related parties during the Relevant Periods:

	For the year ended 31 December			For the five months ended 31 May
	2012	**2013**	**2014**	**2015**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Service income paid by Fameway Finance Limited ("FF") *note (i)*	600	708	–	–
Service income paid by Luck Bloom International Limited ("Luck Bloom") *note (i)*	–	300	–	–
	600	1,008	–	–

Notes:

(i) FF and Luck Bloom are the fellow subsidiaries of the Target Company under the control of Rich Best Asia Limited which is the immediate holding company of the Target Company, with the same ultimate holding company, Chinese Strategic Holdings Limited.

(ii) The Target Company provides consultancy service to FF and Luck Bloom on seeking potential investment opportunity and funding activities in Hong Kong and the PRC.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 31 May 2015.

Yours faithfully,

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 December 2014 and the audited financial information of the Target Group for the five months ended 31 May 2015 prepared in accordance with Hong Kong Financial Reporting Standards.

The following discussion and analysis should be read in conjunction with the financial information of the Target Group as set out in the Appendix II of this Circular.

FOR THE FIVE MONTHS ENDED 31 MAY 2015

Business and Finance Review

The Target Group is principally engaged in investment holding. For the five months ended 31 May 2015, revenue was generated mainly by leasing out the properties held by the Target Group (the "**Properties**") to independent tenants. The Properties comprise 8 commercial units of a total gross floor area of approximately 1,690 sq.m and a residential house of a total gross floor area of approximately 315.23 sq.m. Among the Properties, 2 out of the 8 commercial units were vacant as at the date of the Sale and Purchase Agreement, one of the commercial units occupied and used by the PRC Company, and the remaining commercial unit being leased out pursuant to a tenancy agreement as stated under the Sale and Purchase Agreement; and the residential house was also occupied and leased out pursuant to a tenancy agreement.

PROSPECTS

The Target Group aims for balanced sources of income over the long term with emphases on both property investment for sale and rental income. This strategy offers a balance between steady cash flow and capital gain to the Target Group. The Target Group has been active in acquiring properties and identifying reliable tenants for enhancing its source of rental income in the past few months. The Group is confident that the property investment portfolio will generate a steadily growing income stream and will benefit the Target Group over the long term.

Revenue

Revenue represents rental income derived from investment properties. Revenue increased by approximately 353.11 % to approximately HK$1,237,000 for the five months ended 31 May 2015 compared to approximately HK$273,000 for the five months ended 31 May 2014. The increase in revenue was primarily due to an additional commercial unit leased out in December 2014.

Other income and gain

Other income and gain mainly represented bank interest income, gain on disposal of plant and equipment and service income, and has decreased from approximately HK$241,000 for the five months ended 31 May 2014 to HK$nil for the corresponding year in 2015. The decrease primarily resulted from the drop in gain on disposal of plant and equipment.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, office expenses, rental and building management fees. The administrative expenses decreased to HK$3,255,000 for the five months ended 31 May 2015 compared with HK$4,302,000 for the five months ended 31 May 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. As at 31 May 2015, the cash and bank balances of the Target Group was approximately HK$1,393,000.

At 31 May 2015, the net liabilities of the Group was approximately HK$24,019,000 and the net current liabilities was approximately HK$130,444,000.

CAPITAL STRUCTURE

As at 31 May 2015, the Target Company's issued ordinary share capital was HK$1 divided into 1 share of HK$1 each.

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

EMPLOYEE AND REMUNERATION POLICY

As at 31 May 2015, the Target Group had 12 total number of full-time employees. Staff costs, including salaries, wages, other benefits and retirement benefits scheme contributions for the five months ended 31 May 2015 were approximately HK$1,260,000 in total. The Target Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, other benefits include staff welfare, MPF and retirement schemes.

CHARGE ON TARGET GROUP'S ASSETS

As at 31 May 2015, the Target Group did not have any charges on its assets.

GEARING RATIO

As at 31 May 2015, the total liabilities of the Target Group amounted to approximately HK$154,091,000, which mainly consisted of accruals and other payables, amount due to immediate holding company and deferred tax liabilities. All of these borrowings are denominated in Hong Kong dollars.

As at 31 May 2015, the Target Group had total assets of approximately HK$130,072,000. The gearing ratio of the Target Group, expressed as the ratio of total liabilities to total assets, increased to 1.18 as at 31 May 2015.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

There were no significant investments and acquisitions as at 31 May 2015.

FOREIGN CURRENCY EXPOSURE

All of the Target Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or RMB. The directors of the Target Group do not consider that the Target Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

CONTINGENT LIABILITIES

As at 31 May 2015, the Target Group did not have any significant contingent liabilities (2014: Nil).

FOR THE YEAR ENDED 31 DECEMBER 2014

Revenue

Revenue represents rental income derived from investment properties. Revenue decreased by approximately 40.68% to approximately HK$382,000 for the year ended 31 December 2014. The decrease in revenue was primarily due to early termination of rental agreement in 2014.

Other income and gain

Other income and gain represented bank interest income, gain on disposal of plant and equipment and service income, and has decreased from approximately HK$1,009,000 for the year ended 31 December 2013 to HK$244,000 for the corresponding period in 2014. The decrease primarily resulted from the drop in the service income from the fellow subsidiaries of the Target Company.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, office expenses, rental and building management fees. The administrative expenses increased to HK$10,012,000 for the year ended 31 December 2014 compared with HK$9,962,000 for the year ended 31 December 2013.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. As at 31 December 2014, the cash and bank balances of the Target Group was approximately HK$1,139,000 (2013: HK$2,535,000).

As at 31 December 2014, the net liabilities of the Target Group was approximately HK$14,127,000 (2013: net assets HK$6,922,000) and the net current liabilities was approximately HK$128,564,000 (2013: HK$109,584,000).

CAPITAL STRUCTURE

As at 31 December 2014, the Target Company's issued ordinary share capital was HK$1 divided into 1 share of HK$1 each.

In accordance with section 135 of the Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2014, the Target Group had 12 (2013: 28) total number of full-time employees. Staff costs, including salaries, wages, other benefits and retirement benefits scheme contributions for the year ended 31 December 2014 were approximately HK$4,158,000 in total (2013: HK$3,891,000). The Target Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, other benefits include staff welfare, MPF and retirement schemes.

CHARGE ON TARGET GROUP'S ASSETS

As at 31 December 2014, the Target Group did not have any charges on its assets.

GEARING RATIO

As at 31 December 2014, the total liabilities of the Target Group amounted to approximately HK$155,447,000 (2013: HK$148,010,000), which mainly comprised of accruals and other payables, amount due to immediate holding company and deferred tax liabilities. All of these borrowings are denominated in Hong Kong dollars.

As at 31 December 2014, the Target Group had total assets of approximately HK$141,320,000 (2013: HK$154,932,000). The gearing ratio of the Target Group, expressed as the ratio of total liabilities to total assets, increased to 1.10 as at 31 December 2014 (2014: 0.96).

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

There were no significant investments and acquisitions as at 31 December 2014.

FOREIGN CURRENCY EXPOSURE

All of the Target Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or RMB. The directors of the Target Group do not consider that the Target Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2014, the Target Group did not have any significant contingent liabilities (2013: Nil).

FOR THE YEAR ENDED 31 DECEMBER 2013

Revenue

Revenue represents rental income derived from investment properties. Revenue remained stable of approximately HK$644,000 for the year ended 31 December 2013 to HK$637,000 for the year ended 31 December 2012.

Other income and gain

Other income and gain represented bank interest income and service income, and has increased from approximately HK$622,000 for the year ended 31 December 2012 to HK$1,009,000 for the corresponding year in 2013. The increase primarily resulted from the increase in the service income from the fellow subsidiaries of the Target Company.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, office expenses, rental and building management fees. The administrative expenses decreased to HK$9,962,000 for the year ended 31 December 2013 compared with HK$12,445,000 for the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. As at 31 December 2013, the cash and bank balances of the Target Group was approximately HK$2,535,000 (2012: HK$1,679,000).

As at 31 December 2013, the net assets of the Target Group was approximately HK$6,922,000 (2012: net assets HK$11,036,000) and the net current liabilities was approximately HK$109,584,000 (2012: HK$101,075,000).

CAPITAL STRUCTURE

As at 31 December 2013, the Target Company's issued ordinary share capital was HK$1 divided into 1 share of HK$1 each.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2013, the Target Group had 28 (2012: 18) total number of full-time employees. Staff costs, including salaries, wages, other benefits and retirement benefits scheme contributions for the year ended 31 December 2013 were approximately HK$3,891,000 in total (2012: HK$2,373,000). The Target Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, other benefits include staff welfare, MPF and retirement schemes.

CHARGE ON TARGET GROUP'S ASSETS

As at 31 December 2013, the Target Group did not have any charges on its assets.

GEARING RATIO

As at 31 December 2013, the total liabilities of the Target Group amounted to approximately HK$148,010,000 (2012: HK$143,748,000), which mainly comprised of accruals and other payables, amount due to ultimate holding company, immediate holding company and fellow subsidiaries and deferred tax liabilities. All of these borrowings are denominated in Hong Kong dollars.

As at 31 December 2013, the Target Group had total assets of approximately HK$154,932,000 (2012: HK$154,784,000). The gearing ratio of the Target Group, expressed as the ratio of total liabilities to total assets, increased to 0.96 as at 31 December 2013 (2012: 0.93).

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

There were no significant investments and acquisitions as at 31 December 2013.

FOREIGN CURRENCY EXPOSURE

All of the Target Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or RMB. The directors of the Target Group do not consider that the Target Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2013, the Target Group did not have any significant contingent liabilities (2012: Nil).

FOR THE YEAR ENDED 31 DECEMBER 2012

Revenue

Revenue represents rental income derived from investment properties of HK$637,000 for the year ended 31 December 2012.

Other income and gain

Other income and gain represented bank interest income, service income and others amounted HK$622,000 for the year ended 31 December 2012.

Administrative expenses

Administrative expenses represented, amongst others, salary of administrative staff, office expenses, rental and building management fees. The administrative expenses amounted HK$12,445,000 for the year ended 31 December 2012.

LIQUIDITY AND FINANCIAL RESOURCES

The Target Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. As at 31 December 2012, the cash and bank balances of the Target Group was approximately HK$1,679,000.

As at 31 December 2012, the net assets of the Target Group was approximately HK$11,036,000 and the net current liabilities was approximately HK$101,075,000.

CAPITAL STRUCTURE

As at 31 December 2012, the Target Company's issued ordinary share capital was HK$1 divided into 1 share of HK$1 each.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2012, the Target Group had 18 total number of full-time employees. Staff costs, including salaries, wages, other benefits and retirement benefits scheme contributions for the year ended 31 December 2012 were approximately HK$2,373,000 in total. The Target Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, other benefits include staff welfare, MPF and retirement schemes.

CHARGE ON TARGET GROUP'S ASSETS

As at 31 December 2012, the Target Group did not have any charges on its assets.

GEARING RATIO

As at 31 December 2012, the total liabilities of the Target Group amounted to approximately HK$143,748,000, which mainly comprised of accruals and other payables, amount due to ultimate holding company, immediate holding companies and fellow subsidiaries and deferred tax liabilities. All of these borrowings are denominated in Hong Kong dollars.

As at 31 December 2012, the Target Group had total assets of approximately HK$154,784,000. The gearing ratio of the Target Group, expressed as the ratio of total liabilities to total assets, amounted to 0.93 as at 31 December 2012.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

There were no significant investments and acquisitions as at 31 December 2012.

FOREIGN CURRENCY EXPOSURE

All of the Target Group's assets, liabilities and transactions are mainly denominated either in Hong Kong dollars or RMB. The directors of the Target Group do not consider that the Target Group is exposed to any material foreign currency exchange risk. Therefore, no hedging devices or other alternative have been implemented.

CONTINGENT LIABILITIES

As at 31 December 2012, the Target Group did not have any significant contingent liabilities.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma financial information of China Eco-Farming Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and China Smart Asia Limited (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") (together with the Group hereinafter referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information"), which have been prepared on the basis as set out in the notes below to illustrate the effect of the proposed acquisition of the entire equity interests in the Target Group (the "Acquisition").

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"), for the purpose of illustrating the effect of the Acquisition as if the Acquisition had been completed on 31 December 2014.

The Unaudited Pro Forma Financial Information has been prepared by directors of the Company for illustrative purpose only and based on a number of assumptions, estimates and uncertainties. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information as set out in the Company's published annual report for the year ended 31 December 2014, the accountants' report of the Target Group sets out in Appendix II to the circular and other financial information included elsewhere in the circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 DECEMBER 2014

	The Group as at 31 December 2014	The Target Group as at 31 May 2015	Pro forma adjustments			The Enlarged Group as at 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Plant and equipment	4,408	782				5,190
Investment properties	28,812	126,530				155,342
Intevests in associates	43,731	–				43,731
Investment in a subsidiary	–	–		98,439	(98,439)	–
Loan to non-controlling shareholder of a subsidiary	735	–				735
Goodwill	908	–				908
Deposits paid for acquisition of investment properties	14,113	–				14,113
	92,707	127,312				220,019
Current assets						
Inventories, finished goods	934	–				934
Trade and other receivables	10,896	1,367				12,263
Deposit paid for the acquisition of a subsidiary	–	–	20,000	(20,000)		–
Deposit paid for operating right	1,200	–				1,200
Financial assets at fair value through profit or loss	21,969	–				21,969
Bank balances and cash	36,995	1,393		(1,391)		36,997
	71,994	2,760				73,363

	The Group as at 31 December 2014	The Target Group as at 31 May 2015	Pro forma adjustments			The Enlarged Group as at 31 December 2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Trade and other payables	10,814	10,624				21,438
Amount due to immediate holding company	–	122,580			(122,580)	–
Amount due to non-controlling shareholders of the subsidiaries	1,053	–				1,053
Income tax payable	83	–				83
	11,950	133,204				22,574
Net current assets (liabilities)	60,044	(130,444)				50,789
Total assets less current liabilities	152,751	(3,132)				270,808
Non-current liabilities						
Convertible bonds	16,970	–		33,454		50,424
Deferred tax liabilities	–	20,887				20,887
Loan from non-controlling shareholder of a subsidiary	735	–				735
	17,705	20,887				72,046
Net assets (liabilities)	135,046	(24,019)	20,000	43,594	24,141	198,762

Notes:

1. The financial information of the Group is extracted from the consolidated statement of financial position as at 31 December 2014 as set out in the Company's published annual report for the year ended 31 December 2014.

2. The assets and liabilities of the Target Group as at 31 May 2015 are extracted from the accountants' report as set out in Appendix II to this circular.

3. The pro forma adjustment represents the adjustment of consolidation of Delightful Hope Limited ("JV Company"), the company incorporated in the British Virgin Islands on 19 May 2015. On 28 May 2015, 50 ordinary shares of US$1 each were issued to Skyline Top Limited ("Skyline") and 50 ordinary shares of US$1 each were issued to Yardley Wealth Management Limited ("Yardley"), with 50% equity interest owned by Skyline and another 50% equity interest owned by Yardley. Skyline is an indirect wholly-owned subsidiary of the Company in accordance with Hong Kong Financial Reporting Standard ("HKFRS") 10 *Consolidated Financial Statements*.

   In accordance with the proposed shareholders' agreement of JV Company to be entered into by Yardley, Skyline and JV Company, the board of directors (the "Board") of JV Company consists of 3 directors, of which 2 directors shall be appointed by Skyline, and 1 director appointed by Yardley, with the quorum of every Board meeting shall be 2 directors. The chairman of the Board shall be appointed by Skyline and has a casting vote in case of any equal voting or any resolution of the Board. As such, the Board, who controls the operating and capital decision of JV Company are controlled by Skyline upon the proposed shareholders' agreement of JV Company. Since neither Skyline nor Yardley has a casting vote in the shareholders' meeting, the directors of the Company considers that Skyline is exposed to or has right to variable returns from its involvement with JV Company, and has ability to affect those return through its power over JV Company. As such, JV Company is consolidated into the Group in accordance with HKFRS 10 *Consolidated Financial Statements*.

   On 29 May 2015, Yardley has paid the initial deposit of HK$20,000,000 (the "Deposit") for the Acquisition to the Rich Best Asia Limited (the "Vendor"), through JV Company. Both parties agreed and confirmed settlement of consideration for the Acquisition on behalf of JV Company. The directors of the Company considered that the Deposit is capital contribution to JV Company and recognised as capital reserve in the statement of financial position of the JV Company.

4. In accordance with the sale and purchase agreement entered between the Company, JV Company, the Vendor and Yardley (the "Sale and Purchase Agreement"), the consideration of HK$93,000,000 of the Acquisition was paid as follows:

   (a) Deposit payable by JV Company and Yardley jointly and severally either in cash or by cashier order upon execution of the Sale and Purchase Agreement;

   (b) HK$26,500,000 payable by the JV Company and Yardley jointly and severally either in cash or by cashier order upon completion of the Acquisition; and

   (c) HK$46,500,000 settled and discharged by the Company's issuance of zero coupon convertible bonds of the Company with (i) principal amount of HK$23,000,000 matured on 31 March 2017 ("Convertible bonds A") and zero coupon convertible bonds of the Company with principal amount of HK$23,500,000 matured on 30 September 2018 ("Convertible bonds A"); and (ii) principal amount of HK$23,500,000 matured on 30 september 2018 ("Convertible Bands B"). Both Convertible Bonds A and Convertible Bonds B are convertible at HK$0.25 per share of the Company at the discretion of the holder, and are redeemed by the Company on respective maturity dates at a redemption amount equal to 100% of the principal amount of each convertible bonds.

       The directors of the Company consider that the issuance of Convertible Bonds A and Convertible Bonds B as capital contribution by the Company to JV Company. Consistent to the Deposit as disclosed in note 3, the fair value of the Convertible Bonds A and Convertible B, in aggregate, is recognised as capital reserve in the statement of financial position of JV Company upon issue.

The pro forma adjustment represents the recognition of the investment cost upon completion of the Acquisition.

The consideration shall be adjusted upwards from HK$93,000,000 to approximately HK$98,439,000 as a result of (i) the fair value adjustments of aggregate amount of approximately HK$4,048,000 on the Convertible Bonds A and Convertible Bonds B; and (ii) the estimated transaction cost of approximately HK$1,391,000 treated as part of the investment cost in the Target Group.

The Convertible Bonds A and Convertible Bonds B are considered as compound instruments with liability components, the zero coupon bonds, and the equity components, the conversion features.

For the purpose of the preparation of this Unaudited Pro Forma Financial Information, the Company has engaged Asset Appraisal Limited, an independent valuer, to perform valuation on the fair values of the entire compound instruments and liability components of Convertible Bonds A and Convertible Bonds B as at 31 December 2014, using the binomial option pricing model and the discounted cash flow model, respectively.

The fair values of the entire compound instruments of Convertible Bonds A and Convertible Bonds B, measured using the binomial option pricing model, are approximately HK$25,048,000 and HK$25,500,000, respectively, with total of fair value upward adjustments of approximately HK$4,048,000 when compared to the aggregate principal amount of Convertible Bonds A and Convertible Bonds B of approximately HK$46,500,000.

The liability components of Convertible Bonds A and Convertible Bonds B are approximately HK$18,052,000 and HK$15,402,000, respectively, and are estimated by discounting the estimated cash flows over the remaining contractual term of Convertible Bonds A and Convertible Bonds B at discount rate of 11.37% and 11.92% respectively.

The discount rate of 11.37% and 11.92% was based on (i) the risk-free rate of 0.68% and 1.23% for Convertible Bonds A and Convertible Bonds B respectively; (ii) credit spread of Convertible Bonds A and Convertible Bonds B of 10.69%. Risk-free rate is determined with reference to the market yields of Hong Kong Government Bonds with maturities similar to the Convertible Bonds A and Convertible Bonds as at 31 December 2014 as extracted from Bloomberg. The credit spread of Convertible Bonds A and Convertible Bonds B is determined with reference to the comparable bonds as extracted from Bloomberg.

The residual amounts of approximately HK$6,996,000 and HK$10,098,000 for the Convertible Bonds A and Convertible Bonds B respectively are assigned as the equity components and are included in reserves. The issues of Convertible Bonds A and Convertible Bonds B are non-cash transaction.

The fair values of the entire compound instruments and the liability portions of Convertible Bonds A and Convertible Bonds B will be assessed upon issue at the date of the completion of the Acquisition and the actual fair values at the date of the completion of the Acquisition may be substantially different from the fair values used in the Unaudited Pro Forma Financial Information.

5. The pro forma adjustment represents the adjustment of the Acquisition by JV Company accounted for using acquisition method in accordance with HKFRS 3 *Business Combination* and HKFRS 10 *Consolidated Financial Statements*.

Upon the Acquisition, gain on bargain purchase of approximately HK$122,000 has been arisen and recognised in the consolidated statement of profit or loss and other comprehensive income. For the purpose of preparing the Unaudited Pro Forma Financial Information, the fair values of the identifiable assets and liabilities (other than goodwill) of the Target Group as at 31 May 2015 are assumed to be the same as their carrying amounts as at 31 December 2014 as if the Acquisition had been completed as at 31 December 2014. The recognition of gain on bargain purchase arising on the Acquisition as if the Acquisition had been completed as at 31 December 2014 is as follows:

		HK$'000
Consideration paid for the acquisition of entire equity interests of the Target Group *(note 4)*		98,439
Less: fair value of net assets acquired *(note a)*:		
Fair value of net liabilities of the Target Group	(24,019)	
Add: amount due to immediate holding company *(note b)*	122,580	
		98,561
Gain on bargain purchase		122

(a) The fair value of the net assets of the Target Group will be re-assessed at the actual completion date of the Acquisition. The amount of gain on bargain purchase to be recognised in connection with the Acquisition at the completion date is therefore subject to changes from the pro forma amounts shown above.

(b) In accordance with the Sale and Purchase Agreement, the amount due to immediate holding company, the Vendor, of approximately HK$122,580,000 as at 31 May 2015 will be assigned from the Vendor to JV Company at the date of the Acquisition.

(c) For illustrative purposes, the directors of the Company had assumed the carrying values of the identifiable assets and liabilities of the Target Group approximated to their fair values. The Group has elected to measure the non-controlling interests in the Target Group at the non-controlling interests' proportionate share of the Target Group's identifiable net assets. As a result, the carrying value of the non-controlling interests in the Target Group was approximately HK$49,281,000 and the difference between the carrying value of the non-controlling interests in the Target Group and the amount contributed by non-controlling shareholders of approximately HK$46,500,000, being approximately HK$2,781,000, was recognised as equity portion in the Unaudited Pro Forma Financial Information.

The following is the text of a report received from the Company's reporting accountants, SHINEWING (HK) CPA LIMITED, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

27 July 2015

The Board of Directors
China Eco-Farming Limited
25/F., Siu On Centre
188 Lockhart Road, Wanchai
Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Eco-Farming Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of assets and liabilities as at 31 December 2014, and related notes as set out on pages IV-1 to IV-6 of the circular in connection with the proposed acquisition of the entire equity interests in China Smart Asia Limited and its subsidiary (hereinafter collectively referred to as the "Target Group") (together with the Group hereinafter referred to as the"Enlarged Group") (the "Acquisition") issued by the Company dated 27 July 2015 (the "Circular"). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages IV-1 to IV-6 of the Circular.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Acquisition on the Group's financial position at 31 December 2014 as if the Acquisition had taken place at 31 December 2014. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the Group's consolidated financial statements for the year ended 31 December 2014, on which an annual report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors of the Company are responsible for compiling the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 31(7) of Chapter 7 of the GEM Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors of the Company have compiled the pro forma financial information in accordance with paragraph 31 of Chapter 7 of the GEM Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in the Circular is solely to illustrate the impact of the Acquisition on unadjusted financial information of the Group as if the Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Acquisition at 31 December 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 31 May 2015 of the property interests held by the Target Company.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

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27 July 2015

The Board of Directors
China Eco-Farming Limited
25/F, Siu On Centre,
188 Lockhart Road,
Wanchai, Hong Kong.

Dear Sirs,

Re: Valuation of property interests situated in Shenzhen City, the People's Republic of China

In accordance with the instructions from China Eco-Farming Limited (referred to as the "**Company**") to value the property interests (referred to as the "**properties**") situated in the People's Republic of China (the "**PRC**"), we confirm that we have carried out inspections of the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 May 2015 (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the properties represents the market value which is defined by the International Valuation Standard and followed by the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

The properties are valued by the comparison method where comparison based on prices realised or market prices of comparable properties is made. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values.

To develop our opinion of value of the Property, we have considered the three generally accepted approaches namely the market approach, the cost approach and the income approach.

In the market approach, the value of the Property is estimated through analysis of recent sales of comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of capital values. It is employed in the valuation of properties for which there is a known second hand market.

When market transactions of Property similar to the Property, when data cannot be extrapolated from larger transactions or when transactions are non-existent, the cost approach is considered to be the alternative approach to value the Property.

The cost approach considers the costs to reproduce or replace in new conditions the assets valued in accordance the market prices of similar assets, with allowance for accrued depreciation arising from the conditions, utility, age, wear and tear, or obsolescence present (physical, functional or economic), taking into consideration past and present maintenance policy and rebuilding history (if any). This approach does not consider any economic value (if any) of the property.

In the income capitalization approach, value of a property is developed on the basis of capitalization of the net rental or earnings that would be generated if a specific stream of income can be attributed to the property. This approach is most applicable to investment and specialized properties where there is no established and identifiable second hand market.

In any appraisal study, all three approaches to value must be considered, as one or more may be applicable to the Property. In some situations, elements of one or more approaches may be combined to reach a value conclusion. In view of the nature of the Property where a well established second hand market can be identified, the market approach is considered to be the optimal approach and has been employed for determining the market value of the Property.

ASSUMPTIONS

No allowance has been made in our report for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

Our valuation has been made on the assumption that owners sell the properties (except those properties rented by the Company) on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the properties.

As the properties are held by the owners by means of long term Land Use Rights granted by the Government, we have assumed that the owner has free and uninterrupted rights to use the properties for the whole of the unexpired term of the respective land use rights. We have also assumed that they can be freely transferred on the market free from any land premium or expenses of substantial amount payable to the Government.

Other assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

TITLESHIP

We have been provided with copies of legal documents regarding the properties. However, we have not verified ownership of the properties and the existence of any encumbrances that would affect ownership of them.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Guangdong Zhuo Jian Law Firm（廣東卓建律師事務所）, to the Company on the relevant laws and regulations in the PRC, on the nature of land use rights or leasehold interests in the properties.

LIMITING CONDITIONS

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the properties but have assumed that the areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The properties were inspected on 26 May 2015 by Mr. Zhou Tong, a PRC registered property appraiser and employee of us. However, no structural survey has been made. In the course of our inspection, we did not note any serious defects. We are not in a position to report whether the buildings and structures of the properties are free of rot, infestation or any other structural defects. No test was carried out on any of the services of the buildings and structures of the properties.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

In valuing the properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

Unless otherwise stated, all monetary sums stated in this report are in Renminbi (RMB).

Our summary of valuation and valuation certificates are attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited
Sandra Lau
MHKIS AAPI RPS(GP)
Director

Sandra Lau is a member of the Hong Kong Institute of Surveyors, an Associate of the Australian Property Institute and a Registered Professional Surveyor in General Practice. She is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Valuation Forum and has over 10 years' experience in valuation of properties in Hong Kong, in Macau and in the PRC.

SUMMARY OF VALUATION

Property		Market value in existing state as at 31 May 2015	Interest attributable to the Target Company as at 31 May 2015	Value of property Interest attributable to the Company as at 31 May 2015
		RMB	*%*	*RMB*
Property interests held by the Target Company				
1.	Unit A to H, 33/F, Shidai Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC.	83,800,000	100%	83,800,000
2.	A Villa House situated in Shuitousha Village, Nan'ao Town, Shenzhen City, Guangdong Province, the PRC	16,200,000	100%	16,200,000
	Total:			**RMB100,000,000**

VALUATION CERTIFICATE

Property interests held by the Target Company

Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2015 *RMB*
1. Unit A to H, 33/F, Shidai Caifu Building, Futian District, Shenzhen City, Guangdong Province, the PRC. (廣東省深圳市福田區時代財富大廈33樓A至H室)	The Property comprises 8 units on the 33th floor within 53-storey office building completed in about 2007. The breakdown of the gross floor area (GFA) of the property is summarized as follows: **Unit** / **GFA** *(sq. m.)* A 191.78 B 160.34 C 229.50 D 164.10 E 146.89 F 325.91 G 207.96 H 266.97 **Total: 1,693.45** The land use rights of the Property have been granted for a term expiring on 25 June 2050 for office use.	Portion of the Property with a total gross floor area of 845 square metres was subject to a tenancy for a term of commencing on 1 December 2014 and expiring on 31 December 2017 at a current monthly rent of RMB185,900 exclusive of management fee and other charges. As advised by the Company, the remaining portion of the property was owner-occupied.	83,800,000

Notes:

1. As revealed from 8 sets of Building and Land Ownership Certificate (Ref: Shen Fang Di Zi Nos. 3000581556, 3000581558, 3000581608, 3000581614, 3000581616, 3000581587, 3000581560 and 3000581597, 深房地字第3000581556、3000581558、3000581608、3000581614、3000581616、3000581587、3000581560 and 3000581597號) all dated 29 September 2009, the property with a total gross floor area of 1,693.45 square metres were held by Shenzhen Shengshi Fuqiang Technology Co., Ltd.（深圳市盛世富強科技有限公司）for a land use rights term of 50 years expiring on 25 June 2050 for office use. As confirmed by the Company, the acquisition cost of the property is RMB43,917,517.89.

2. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

   Building and Land Ownership Certificate : Yes

3. As confirmed by the Company, the properties do not violate any environmental regulations and the Company does not have any plan for construction, renovation, improvement, re-development, disposal of or changing the use of the properties in foreseeable future.

4. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. The property is legally held by Shenzhen Shengshi Fuqiang Technology Co., Ltd..

   ii. The property is not subject to any mortgage, sealing or litigation.

   iii. Subject to relevant approval procedures in accordance with the Property Law of the PRC (中華人民共和國物權法), Shenzhen Shengshi Fuqiang Technology Co., Ltd. has the right to occupy, use, transfer, lease, mortgage or otherwise dispose of the property.

Property		Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 May 2015 *RMB*
2.	A Villa House Situated in Shuitousha Village, Nan'ao Town, Shenzhen City, Guangdong Province, the PRC. （廣東省深圳市南澳鎮水頭沙村之別墅）	The Property comprises a 3-storey detached villa house of reinforcement concrete completed in about 1992. The gross floor area of the property is approximately 315.23 square metres. The land use rights of the Property have been granted for a term expiring on 1 January 2043 for residential use.	The property is subject to a tenancy for a term expiring on 31 December 2016 at a monthly rent of RMB10,000 inclusive of property tax and leasing tax but exclusive of management fee and other charges.	16,200,000

Notes:

1. As revealed from a Building and Land Ownership Certificate (Ref: Shen Fang Di Zi No. 6000491120, 深房地字第6000491120號) dated 12 July 2011, the property with a total gross floor area of 315.23 square metres were held by Shenzhen Shengshi Fuqiang Technology Co., Ltd.（深圳市盛世富強科技有限公司）for a land use rights term of 50 years expiring on 1 January 2043 for residential use. As confirmed by the Company, the acquisition cost of the property is RMB26,895,394.24.

2. In accordance with the information provided by the Group, the status of title and grant of major approvals and licences are as follows:

   Building and Land Ownership Certificate : Yes

3. As confirmed by the Company, the properties do not violate any environmental regulations and the Company does not have any plan for construction, renovation, improvement, re-development, disposal of or changing the use of the properties in foreseeable future.

4. The opinion from the PRC legal advisors of the Company on the property is as follows:

   i. The property is legally held by Shenzhen Shengshi Fuqiang Technology Co., Ltd..

   ii. The property is not subject to any mortgage, sealing or litigation.

   iii. Subject to relevant approval procedures in accordance with the Property Law of the PRC（中華人民共和國物權法）, Shenzhen Shengshi Fuqiang Technology Co., Ltd. has the right to occupy, use, transfer, lease, mortgage or otherwise dispose of the property.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 circular 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 circular misleading.

2. SHARE CAPITAL

The authorised capital and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised		*HK$*
9,130,434,785	Shares	182,608,695.70
Issued and fully-paid		*HK$*
4,275,665,060	Shares	85,513,301.20

The authorised and issued share capital of the Company assuming completion of the Acquisition and issue and conversion of the Convertible Bonds will be as follows:

Authorised		*HK$*
9,130,434,785	Shares	182,608,696.00
Issued and fully-paid		*HK$*
4,275,665,060	Shares	85,513,301.20
186,000,000	New Shares to be issued upon issue and conversion of the Convertible Bonds pursuant to the Sale and Purchase Agreement and the CB Instruments	3,720,000.00
4,461,665,060	Shares	89,233,301.20

3. DISCLOSURE OF INTERESTS

(a) As at the Latest Practicable Date, the following Directors or chief executives of the Company had interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the GEM Listing Rules:

Long positions in the shares of the Company:

Name	**Capacity**	**Number of Shares subject to option granted** *(Note 1)*	**Approximate percentage of the Company's total issued share capital**
So David Tat Man	Beneficial interest	42,750,000	1.00%
Lai Yick Fung	Beneficial interest	10,000,000	0.23%
Ng Cheuk Fan, Keith	Beneficial interest	4,000,000	0.09%
Yick Ting Fai, Jeffrey	Beneficial interest	4,000,000	0.09%
Zhang Min	Beneficial interest	4,000,000	0.09%

Note:

1. These options were granted by the Company under the share option scheme adopted by the Company on 6 May 2011.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the

SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the GEM Listing Rules to be notified to the Company and the Stock Exchange.

(b) As at the Latest Practicable Date, so far as was known to the Directors or chief executives of the Company, the following persons (other than the Directors or chief executives of the Company as disclosed herein) had interests or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying the right to vote in all circumstance at general meeting of any member of the Group:

Long positions in the shares of the Company:

Name	**Capacity**	**Number of Shares**	**Approximate percentage of the Company's total issued share capital**
So Chi Yuk *(Note 1)*	Interest of controlled corporation	700,000,000	16.37%
Sino Coronet Limited *(Note 1)*	Beneficial owner	700,000,000	16.37%
Yardley Finance Limited *(Note 2)*	Beneficial owner	700,000,000	16.37%
Chan Kin Sun *(Note 2)*	Interest of controlled corporation	700,000,000	16.37%
Chinese Strategic Holdings Limited *(Note 3)*	Interest of controlled corporation	555,053,215	12.98%
Rich Best Asia Limited *(Note 3)*	Interest of controlled corporation	555,053,215	12.98%
Top Status International Limited *(Note 3)*	Beneficial owner	318,953,215	7.46%
International Chaoshang Investment Group Limited *(Note 4)*	Beneficial owner	217,190,000	5.08%
Huang Zhen Da *(Note 4)*	Interest of controlled corporation	217,190,000	5.08%

Notes:

1) Sino Coronet Limited ("**Sino Coronet**"), a company incorporated in the British Virgin Islands with limited liability, is wholly owned by So Chi Yuk. As such, So Chi Yuk is deemed to be interested in these convertible bonds.

2) Yardley is a company incorporated in the British Virgin Islands with limited liability. To the best knowledge, information and belief of the Directors, the ultimate beneficial owner of Yardley is Mr. Chan Kin Sun, who is also the ultimate beneficial owner of Yardley Finance Limited ("**Yardley Finance**"); and Sino Coronet, which is beneficially owned by Mr. So Chi Yuk has pledged the convertible bonds issued by the Company in the principal amount of HK$14,000,000, which are convertible into new Shares of the Company at the initial conversion price of HK$0.02, to Yardley Finance.

3) Top Status is wholly-owned by Rich Best Asia Limited ("**Rich Best**"), a company incorporated in the British Virgin Islands. Rich Best is in turn wholly-owned by Chinese Strategic Holdings Limited ("**Chinese Strategic**") (Stock Code: 8089), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM of the Stock Exchange. As such, each of Rich Best and Chinese Strategic is deemed to be interested in these shares.

4) International Chaoshang Investment Group Limited, a company incorporated in Hong Kong with limited liability, is 40% owned by Huang Zhen Da. As such, Huang Zhen Da is deemed to be interested in these Shares.

Save as disclosed above, the Company is not aware that there is any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at a general meeting of any other member of the Group.

Service Contracts

Each independent non-executive Director has signed an appointment letter with the Company for a fixed term of two years and may be terminated by not less than three months prior notice in writing served by either party to the other in accordance with the provisions set out in the respective appointment letter.

Each executive Director has entered into a service agreement with the Company for an initial fixed term of two years and will continue thereafter until terminated by not less than six months' notice in writing served by either party to the other in accordance with the provisions set out in the respective service agreement. Each of the executive Directors may receive a discretionary bonus, the amount of which will be determined by the Board at its absolute discretion having regard to the operation results of the Company and performance of the Directors.

None of the Directors who are proposed for re-election at the annual general meeting of the Company on 2 June 2015 has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Interests in assets

Save as disclosed in this circular, none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

Interests in contract or arrangement

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the businesses of any member of the Enlarged Group.

4. EXPERT AND CONSENT

The following is the qualification of the professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
Asset Appraisal Limited	professional property valuer
Octal Capital Limited	corporation licensed to carry out regulated activity type 1 & 6 (dealing in securities and advising on corporate finance) under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants, Hong Kong
Guangdong Zhuo Jian Law Firm	PRC legal adviser

As at the Latest Practicable Date, Asset Appraisal Limited, Octal Capital Limited, SHINEWING (HK) CPA Limited, and Guangdong Zhuo Jian Law Firm have given and have not withdrawn its consent to the issue of this circular with the inclusion of its letter, and reference to its names in the form and context in which it appears.

As at the Latest Practicable Date, Asset Appraisal Limited, Octal Capital Limited, SHINEWING (HK) CPA Limited, and Guangdong Zhuo Jian Law Firm do not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Asset Appraisal Limited, Octal Capital Limited, SHINEWING (HK) CPA Limited and Guangdong Zhuo Jian Law Firm did not have any direct or indirect interests in any assets which have since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date, which are contracts not being in the ordinary course of business of the Company or may be material:

(a) On 13 December 2013, the Company and Ping An of China Securities (Hong Kong) Company Limited and FT Securities Limited (collectively, the "**Co-Placing Agents**") entered into the co-placing agreement, pursuant to which the Company has conditionally agreed to place, through the Co-Placing Agents on a best effort basis a maximum of 800,000,000 placing shares to not fewer than six placees at a placing price of HK$0.188 per placing share, which are to be allotted and issued under specific mandate. The completion of the placing took place on 25 March 2014.

(b) On 13 December 2013, Skyline Top Limited ("**Skyline**"), 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, and Skyline 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, and Skyline 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 by cheque or cashier order upon the completion; and (ii HK$20,000,000 shall be satisfied by the Skylines procuring of the issue of the convertible bonds at the conversion price of HK$0.188 per conversion share by the Company to Mr. So Pan upon completion. The completion of the acquisition involving the issue of convertible bonds as a consideration took place on 31 March 2014.

(c) On 19 August 2014, Xayao Investment Consulting (Shenzhen) Co. Ltd.*（旭堯投資諮詢（深圳）有限公司）, a company of limited liability incorporated in PRC and is a wholly-owned subsidiary of the Company (the purchaser) and Shenzhen City Tian Qi Real Estate Development Co. Ltd*（深圳市天麒房地產發展有限公司）, a company of limited liability incorporated in PRC (the vendor) entered into a sale and purchase agreement pursuant to which the 旭堯投資諮詢（深圳）有限公司 agreed to acquire and Shenzhen Tianqi Property Development Co. Ltd.*（深圳市天麒房地產發展有限公司）agreed to sell the property at a consideration of RMB13,235,000 (equivalent to approximately HK$16,721,000).

(d) On 8 September 2014, Top Yield Properties Limited, an indirect wholly-owned subsidiary of the Company, as the assignee, executed the assignment agreement pursuant to which Mr. Wu Chih Kang, as the assignor assigned all his interest in the property to the assignee at the consideration of NTD92,000,000 (equivalent to approximately HK$24,196,000).

(e) On 4 November 2014, Ye Lei Investment Consulting (Shenzhen) Co., Ltd.（燁磊投資諮詢（深圳）有限公司 a company of limited liability incorporated in PRC and is a wholly-owned subsidiary of the Company (the purchaser), and Shenzhen Seton Investment Co., Ltd., a company incorporated in PRC with limited liability and Ms. Liu Shu Feng (collectively, the vendors) entered into share transfer agreements pursuant to which the purchaser agreed to acquire and the vendors agreed to sell the entire equity interest in Fujian Seton Investment Co., Ltd.（福建尚同投資有限公司）(“**Fujian Seton**”), a company incorporated in PRC with limited liability, at an aggregate consideration of RMB3,600,000 (equivalent to HK$4,597,200).

(f) On 24 December 2014, Chengwang Investment Consulting (Shenzhen) Co., Ltd.（承望投資咨詢（深圳）有限 公司）, a company of limited liability incorporated in PRC and is wholly-owned subsidiary of the Company (the purchaser), and Mr. Tsoi Man Po（蔡民寶）(the vendor) entered into the sale and purchase agreement pursuant to which the purchaser agreed to acquire and the vendor agreed to sell the property (as mentioned below) at a consideration of RMB7,000,000 (equivalent to approximately HK$8,750,000). As the vendor failed to transfer all relevant ownership certificates in relation to the property from the relevant authorities on or before the long stop date, the sale and purchase agreement lapsed.

Subsequently, on 21 April 2015, the purchaser and the vendor entered into the second sale and purchase agreement pursuant to which the purchaser agreed to acquire and the vendor agreed to sell the property at a consideration of RMB6,200,000 (equivalent to approximately HK$7,750,000).

(g) On 12 January 2015, Fujian Seton and Mr. Cheung Mong (the vendor) entered into the sale and purchase agreement pursuant to which Fujian Seton agreed to acquire and the vendor agreed to sell a property situated in PRC at a consideration of RMB10,000,000 (equivalent to approximately HK$12,560,000) which shall be settled by cash payment or delivery of securities of equivalent value by a third party. The Group intends to hold the property for investment purpose.

On the same date, the Company as the assignee and the vendor, as the assignor entered into the assignment agreement pursuant to which the Company conditionally agreed to accept and the Vendor conditionally agreed to assign the consideration debt at a consideration of HK$12,560,000 which is equivalent to the acquisition consideration, to be settled by the issuance of 62,800,000 shares by the Company to the Vendor at the issue price of HK$0.2 each under the general mandate of the Company. On 22 April 2015, the consideration shares above have been duly allotted and issued to the vendor and completion of the assignment took place on 27 April 2015.

(h) On 15 June 2015, the Company and Sun International Securities Limited (the "**Placing Agent**") entered into a placing agreement, pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis a maximum of 629,000,000 placing shares to not fewer than six places at a placing price of HK$0.20 per placing share, which are to be allotted and issued under general mandate. The completion of the placing took place on 2 July 2015.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration proceedings of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Enlarged Group.

7. GENERAL

(a) The secretary of the Company is Mr. Lai Yick Fung, who is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators.

(b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The Company's head office and principal place of business in Hong Kong situates at 25/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Union Registrars Limited, located at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Hong Kong.

(e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

(f) As at the Latest Practicable Date, the audit committee of the Company comprised of three independent nonexecutive Directors; namely, Mr. Ng Cheuk Fan, Keith (Chairman of the Audit Committee), Mr. Yick Ting Fai, Jeffrey and Mr. Zhang Min. Brief biographies of the independent non-executive Directors are set out below:

Mr. Ng Cheuk Fan, Keith, aged 54, was appointed as an independent non-executive Director on 1 September 2014. Mr. Ng is also the chairman of the audit committee and members of the remuneration committee and nomination committee of the Company. Mr. Ng graduated from the University of Alberta, Canada, with a Bachelor's degree in Commerce, majoring in Accounting. He also obtained a Master of Commerce degree in Professional Accounting from the University of New South Wales Australia and is a Certified Public Accountant in Australia and a member of The Hong Kong Institute of Certified Public Accountants. Mr. Ng has over 20 years of management and accounting experience Mr. Ng is currently an executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the Stock Exchange. He is also an executive director of U-RIGHT International Holdings Limited (stock code: 627), a company listed on the Stock Exchange. Mr. Ng was an independent non-executive director of The Hong Kong Building and Loan Agency Limited (stock.code: 145), a company listed on the Stock Exchange, from 15 January 2010 to 3 August 2012.

Mr. Yick Ting Fai, Jeffrey, aged 31, was appointed as an independent nonexecutive Director on 1 September 2014. Mr. Yick is also the chairman of the remuneration committee and members of the audit committee and nomination committee of the Company. Mr. Yick graduated from The Hong Kong Polytechnic University with a degree of Bachelor of Science in surveying. He subsequently obtained the Juris Doctor degree as well as the Postgraduate Certificate in Laws (PCLL) from The Chinese University of Hong Kong. Mr. Yick was admitted to practice law as a solicitor in Hong Kong in 2012. He has been a member of The Law Society of Hong Kong since then. Mr. Yick worked in both international and reputable local law firms and is currently working as a solicitor with emphasis on corporate finance practice at a local law firm. Mr. Yick principally engages in Hong Kong listing projects and assists in legal compliance of Hong Kong listed companies.

Mr. Zhang Min, aged 57, was appointed as an independent non-executive Director on 23 March 2015. He is also the chairman of the nomination committee, members of the audit committee and remuneration committee of the Company. Mr. Zhang holds a Bachelor of Philosophy Degree from the Beijing Normal College and a Master of Laws Degree from the Renmin University of China Mr. Zhang was appointed as a non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the main board of the Stock Exchange, on 8 December 2010. He was re-designated and appointed as chairman of the board, executive director and a member of the remuneration committee of China Fortune from 12 April 2011 to 30 June 2014. In addition, Mr. Zhang was an independent non-executive director of Silver Base Group Holdings Limited (stock code: 886), a company listed on the main board of the Stock Exchange, from 28 January 2011 to 1 April 2014. He was also the chief marketing officer of the China Cinda Asset Management Co., Ltd from 28 April 2011 to 31 August 2013 and was the chief executive of China Construction Bank Corporation, Hong Kong Branch, from September 2006 to March 2011 and a director of CCB International (Holdings) Limited and China Construction Bank (Asia) Corporation Limited from (August 2006 to March 2011. Both CCB International (Holdings) Limited and China Construction Bank (Asia Corporation Limited are wholly-owned subsidiaries of China Construction Bank Corporation (together with its subsidiaries referred to as the "CCBC Group"), a joint stock company incorporated in the People's Republic of China with limited liability, whose issued shares are listed on the main board of the Stock Exchange. He was the president of the Beijing Banking Association from 2003 to 2005 and the Beijing Investment Institution from 2001 to 2006. Mr. Zhang possesses over 20 years' experience in the banking industry through his work with the CCBC Group.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 6:00 p.m. at the Company's head office and principal place of business in Hong Kong at 25/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong up to and including the date of the SGM:

(a) the memorandum of association and bye-laws of the Company;

(b) the annual reports of the Company for the years ended 31 December 2013 and 2014;

(c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in pages 32 to 33 of this circular;

(d) the letter from Octal Capital limited to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 34 to 51 of this circular;

(e) the accountants' report on the Target Group from SHINEWING (HK) CPA LIMITED, the text of which is set out in Appendix II to this circular;

(f) the letter report from SHINEWING (HK) CPA LIMITED in respect of the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the valuation report of the Property prepared by Asset Appraisal Limited as set out in Appendix V to this circular;

(h) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

(i) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(j) the Sale and Purchase Agreement;

(k) the Shareholders' Agreement; and

(l) this circular.

* *For identification purposes only*

中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of shareholders of China Eco-Farming Limited (the "**Company**") will be held at 25/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong on Thursday, 13 August 2015 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) the sale and purchase agreement entered into between Rich Best Asia Limited (the "**Vendor**"), Delightful Hope Limited (the "**Purchaser**"), the Company and Yardley Wealth Management Limited dated 29 May 2015 (the "**Sale and Purchase Agreement**"), copies of which are tabled at this meeting and marked "**A**" and initialled by the chairman of this meeting for the purpose of identification), pursuant to which the parties to the Sale and Purchase Agreement agreed that, subject to the satisfaction of the conditions precedent therein, the Vendor will sell and the Purchaser will acquire the entire issued share capital of China Best Asia Limited at the aggregate consideration of HK$93,000,000 (the "**Acquisition**") including the issue of the consideration convertible bonds in the aggregate principal amount of HK$46,500,000 (the "**Convertible Bonds**") entitling the holders thereof to convert the principal amount thereof into ordinary shares of the Company (the "**Conversion Shares**") at an initial conversion price of HK$0.25 (subject to adjustment) per Conversion Share, and the transactions contemplated thereunder be and are hereby confirmed, approved and ratified; and

(b) the directors of the Company (the "**Director(s)**") be and is/are hereby authorised to exercise all powers of the Company and take all steps as might in their opinion be desirable, necessary or expedient to give effect to or in connection with the Sale and Purchase Agreement including without limitation to: (i) the execution, amendment, supplement, delivery, submission and/or implementation of any further documents or agreements in relation to the Sale and Purchase Agreement, the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares; and (ii) the taking of all necessary actions to implement the transactions contemplated under the Sale and Purchase Agreement".

2. "**THAT**

(a) subject to the fulfillment or waiver of the conditions precedent set out in the Sale and Purchase Agreement, the Director(s) be and are hereby authorised to issue the Convertible Bonds in accordance with the terms and conditions of the Sale and Purchase Agreement; and

(b) the Director(s) be and is/are hereby granted a specific mandate (the "**Specific Mandate**") to allot and issue such number of Conversion Shares upon exercise of the conversion right attaching to the Convertible Bonds at the initial conversion price of HK$0.25 per share, credited as fully paid, to holder of the Convertible Bonds in accordance with the terms and conditions of the Sale and Purchase Agreement and the Convertible Bonds."

3. "**THAT** the entering into of the shareholders' agreement for the purpose of the Acquisition ("**Shareholders' Agreement**"), which upon the formation of the joint venture entity, Delightful Hope Limited (the "**JV Company**") by Skyline Top Limited and Yardley Wealth Management Limited (jointly, the "**JV Partners**"), the JV Partners and the JV Company have agreed to make provision for the management and administration of the JV Company's affair, and set out their respective obligations and rights on the terms and conditions set in the proposed Shareholders' Agreement, a copy of which has been produced at this Meeting and marked "**B**" and initialled by the chairperson of this meeting for the purpose of identification) be and are hereby

approved, ratified and confirmed, and that any one director of the Company be and is hereby authorized to do all such acts and things and execute all such documents that are administrative nature only and ancillary to the Shareholders' Agreement, which he or she considers necessary, desirable or expedient for the implementation of and giving effect to the resolution set out in herein and the transactions contemplated thereunder."

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

Hong Kong, 27 July 2015

Registered office:
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

Head office and principal place of business in Hong Kong:
25/F, Siu On Centre,
188 Lockhart Road, Wanchai,
Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or more proxies to attend and, subject to the provisions of the bye-laws of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the SGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's Hong Kong branch share registrar, Union Registrars Limited at A18/F, Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

4. In the case of joint holders of Shares, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.