中國農業生態有限公司
China Eco-Farming Limited

(Continued into Bermuda with limited liability)

(Stock Code: 8166)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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

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

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

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*This announcement, for which the directors of China Eco-Farming Limited (the "**Company**") (the "**Director(s)**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

This announcement will remain on the Company's website at http://www.aplushk.com/clients/8166chinaeco-farming/index.html and the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting.

FINANCIAL HIGHLIGHTS

The Group's revenue for the year ended 31 December 2012 was approximately HK$20,798,000 (2011: HK$27,223,000), representing a decrease of approximately 23.60% as compared to that of last year.

Loss attributable to owners of the Company for the year ended 31 December 2012 amounted to approximately HK$21,046,000 (2011: HK$12,658,000), representing an increase of approximately 66.27% as compared to that of last year.

Basic loss per share of the Company was approximately HK0.79 cent (2011: HK0.52 cent) for the year ended 31 December 2012.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012.

ANNUAL RESULTS

The board of Directors of the Company (the "**Board**") presents the audited consolidated statement of comprehensive income of the Company and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2012 and the Group's audited consolidated statement of financial position at 31 December 2012, together with the relevant comparative figures for the previous year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Revenue	5	**20,798**	27,223
Cost of sales		**(18,012)**	(22,112)
Gross profit		**2,786**	5,111
Other revenue	6	**14**	11
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds		**790**	–
Increase in fair value of investment properties, net		**1,320**	730
Gain on early redemption of convertible bonds		**272**	–
Administrative expenses		**(21,465)**	(16,749)
Finance costs	8	**(3,462)**	(1,739)
Loss on disposal of partial interest in a subsidiary		**(688)**	–
Impairment loss on available-for-sale investments		**(500)**	–
Impairment loss on investment in an associate		**(1)**	–
Change in fair value of embedded conversion option of exchangeable bond		**(112)**	–
Loss before taxation		**(21,046)**	(12,636)
Taxation	9	**–**	(22)
Loss for the year	10	**(21,046)**	(12,658)
Other comprehensive expense for the year:			
Change in fair value of available-for-sale investments		**790**	–
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds		**(790)**	–
Other comprehensive expense for the year		**–**	–
Total comprehensive expense for the year		**(21,046)**	(12,658)
Loss per share	12		
Basic and diluted *(HK cents)*		**(0.79)**	(0.52)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	NOTE	2012 HK$'000	2011 HK$'000
Non-current assets			
Plant and equipment		**470**	1,946
Investment properties		**7,420**	11,500
Investment in an associate		**–**	1
Available-for-sale investments		**4**	500
		7,894	13,947
Current assets			
Trade and other receivables	*13*	**4,527**	4,783
Deposit paid for operating right		**1,200**	1,200
Bank balances and cash		**79**	662
		5,806	6,645
Current liabilities			
Other payables and accruals		**4,820**	2,292
Amount due to a former fellow subsidiary	*14*	**600**	660
Amount due to a shareholder	*14*	**306**	518
Income tax payable		**22**	22
Borrowings	*15*	**9,050**	8,850
Loan from a former fellow subsidiary	*16*	**12,000**	12,000
Loan from a shareholder	*16*	**4,300**	8,000
Convertible preference shares	*17*	**–**	2,477
		31,098	34,819
Net current liabilities		**(25,292)**	(28,174)
Total assets less current liabilities		**(17,398)**	(14,227)
Non-current liabilities			
Borrowings	*15*	**–**	3,200
		–	3,200
		(17,398)	(17,427)
Capital and reserves			
Share capital		**29,317**	24,246
Reserves		**(46,715)**	(41,673)
		(17,398)	(17,427)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Equity component of convertible preference shares *HK$'000*	Equity component of convertible bonds *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2011	24,246	11,066	538	–	6,026	(46,645)	(4,769)
Loss for the year, representing total comprehensive expense for the year	–	–	–	–	–	(12,658)	(12,658)
At 31 December 2011	24,246	11,066	538	–	6,026	(59,303)	(17,427)

	Share capital *HK$'000*	Share premium *HK$'000*	Equity component of convertible preference shares *HK$'000*	Equity component of convertible bonds *HK$'000*	Investment revaluation reserve *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2012	24,246	11,066	538	–	–	6,026	(59,303)	(17,427)
Loss for the year	–	–	–	–	–	–	(21,046)	(21,046)
Other comprehensive income								
– Change in fair value of available-for-sale investments	–	–	–	–	790	–	–	790
– Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	–	–	–	–	(790)	–	–	(790)
Total comprehensive income (expense) for the year	–	–	–	–	–	–	(21,046)	(21,046)
Placing of new shares	2,800	16,240	–	–	–	–	–	19,040
Transaction costs attributable to placing of new shares	–	(592)	–	–	–	–	–	(592)
Recognition of equity component of convertible bonds	–	–	–	986	–	–	–	986
Early redemption of convertible bonds	–	–	–	(971)	–	–	–	(971)
Transfer to accumulated losses upon early redemption of convertible bonds	–	–	–	(15)	–	–	15	–
Issue of shares upon conversion of convertible preference shares	2,271	879	(538)	–	–	–	–	2,612
At 31 December 2012	29,317	27,593	–	–	–	6,026	(80,334)	(17,398)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2012

1. GENERAL

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

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 5 February 2002. The addresses of the registered office is Clarendon House, 2 Church Street, Hamiton HM11, Bermuda and the principal place of business of the Company is Room 1301, 13/F., The Centre Mark, 287-299 Queen's Road Central, Hong Kong. The directors of the Company do not consider any company to be the ultimate holding company and parent company of the Company.

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

The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the business of one-stop value chain services, health care services, property investment and trading of ceramic products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION

At 31 December 2012, the Group had net current liabilities and capital deficiency of approximately HK$25,292,000 and HK$17,398,000 respectively. The Group had incurred loss of approximately HK$21,046,000 for the year ended 31 December 2012. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements of the Group have been prepared on a going concern basis.

In the opinion of the directors of the Company, the Group is able to operate as a going concern in the coming year after taking into consideration the followings:

(i) On 31 January 2013, the Company entered into an agreement with The Building And Loan Agency (Asia) Limited for a new loan of HK$600,000. The loan carries interest fixed at 9% per annum with maturity date on 30 September 2014.

(ii) On 22 February 2013, the Company entered into an agreement with Luck Bloom International Limited ("Luck Bloom"), a wholly-owned subsidiary of China Railway Logistics Limited ("CRLL") and Top Status International Limited ("Top Status"), a shareholder of the Company and a wholly-owned subsidiary of CRLL, for an extension of the loans payable of approximately HK$6,300,000 and any interest accrued thereon to Luck Bloom and Top Status with maturity date extended to 30 September 2014.

(iii) On 22 February 2013, the Company entered into a legal-binding subscription agreement with Top Status to raise a sum of approximately HK$34,500,000 by way of issuing convertible bonds, in which Top Status will be the sole subscriber and convertible up to a maximum of 3,450,000,000 conversion shares. The maturity date will be on 31 December 2016.

(iv) On 22 February 2013, the Group entered into an agreement with The Building And Loan Agency (Asia) Limited for a new secured loan of HK$4,200,000. The loan carries interest fixed at 10% per annum with maturity date on 30 September 2014. The principal amount shall be drawn down by two installments. First installment of HK$700,000 was drawn down on 22 February 2013 while second installment of HK$3,500,000 shall be drawn down during the period from 20 May to 5 June 2013, both days inclusive. This loan is secured by an investment property of the Group.

(v) On 23 February 2013, the Company entered into an agreement with The Building And Loan Agency (Asia) Limited for the extension of an aggregate other loans of HK$5,600,000 and any interest accrued thereon to 30 September 2014. The loan interest shall be revised to 10% per annum thereafter.

(vi) An irrevocable standby loan facility of HK$31,000,000 has been granted from Top Status to the Group, in case the subscription agreement as stated in (iii) above cannot be executed, with drawdown period on or before 31 December 2014 per a loan facility confirmation letter signed on 18 March 2013. The terms of the loan facility including interest charged, securities provided, loan period and repayment terms are negotiable upon the drawdown of the loan facility.

The directors of the Company are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due for a period of not less than the next twelve months from 31 December 2012. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare these consolidated financial statements for the year ended 31 December 2012 on a going concern basis. The consolidated financial statements do not include any adjustments that would result from the failure of the Group to obtain sufficient future funding. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"):

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 1	As part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in 2012

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	First-time Adoption of HKFRSs – Government Loans[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (as revised in 2011)	Employee Benefits[1]
HKAS 27 (as revised in 2011)	Separate Financial Statements[1]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] *Effective for annual periods beginning on or after 1 January 2013.*

[2] *Effective for annual periods beginning on or after 1 January 2014.*

[3] *Effective for annual periods beginning on or after 1 January 2015.*

[4] *Effective for annual periods beginning on or after 1 July 2012.*

Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009-2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no material effect on the Group's consolidated financial statements as the Group does not have any distribution to holders of equity instrument and the transaction cost of equity transaction cost of equity transaction are accounted for accordance with HKAS 12 Income Taxes.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial asset and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendment to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 – Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are 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. 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, 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 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.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, the directors of the Company have not provided a reasonable estimate of that effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC) – Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements and associates, and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 Consolidated and Separate Financial Statements and HK(SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 replaces the portion of HKAS 27 that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC) – Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities.

Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended to HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the new standard may affect the disclosure in the consolidated financial statements, as more extensive disclosure for fair value measurements of investment properties will be included.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a ‘statement of comprehensive income’ is renamed as a ‘statement of profit or loss and other comprehensive income’ and an ‘income statement’ is renamed as a ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new or revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. 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 ongoing 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 judgment in applying the entity's accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in consolidated financial statements.

Going concern and liquidity

As explained in Note 2, the consolidated financial position of the Group indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has ability to continue as a going concern and the major conditions that may cast significant doubt about the going concern assumptions are set out in Note 2.

Key sources of estimation uncertainty

The followings 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.

Allowance for doubtful debts

Allowance for doubtful debts is made based on the assessment of the recoverability of trade and other receivables. The identification of doubtful debts requires the directors of the Company to make judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact the carrying value of trade and other receivables and doubtful debt expenses/written back in the period in which the estimate has been changed. As at 31 December 2012, the carrying amounts of trade receivables and other receivables were approximately HK$128,000 (net of allowance for doubtful debts of approximately HK$328,000) and HK$2,356,000 (net of allowance for doubtful debts of nil) respectively (2011: carrying amount of trade receivables of HK$3,279,000 (net of allowance for doubtful debts of nil) and carrying amount of other receivables of HK$282,000 (net of allowance for doubtful debts of nil)). Impairment loss on trade receivables recognised for the year ended 31 December 2012 amounting to approximately HK$328,000 (2011: Nil).

Fair value of investment properties

Investment properties are carried in the consolidated statement of the financial position at 31 December 2012 at their fair value of approximately HK$7,420,000 (2011: HK$11,500,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of comprehensive income.

Estimated impairment loss on available-for-sale investment

The Group follows the guidance of HKAS 39 to determine whether an available-for-sale investment is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

Valuation of available-for-sale debt investment and embedded conversion option

The fair values of available-for-sale debt investment and embedded conversion option that are not traded in an active market are estimated by management based on the valuation performed by independent qualified valuer. The fair values of available-for-sale debt investment and embedded conversion option are valued using discounted cash flow analysis and binomial model respectively based on assumptions supported, where possible, by observable market prices or rates. The fair values of the available-for-sale debt investment as at issuance date, 9 July 2012 and early redemption date, 28 December 2012, were HK$16,790,000 and HK$17,580,000 respectively. The fair values of embedded conversion option as at issuance date, 9 July 2012, and early redemption date, 28 December 2012, were HK$506,000 and HK$394,000 respectively.

5. REVENUE

Revenue represents service income arising on one-stop value chain services and health care services, rental income and sales of ceramic products.

An analysis of the Group's revenue for the year is as follows:

	2012	2011
	HK$'000	*HK$'000*
Revenue:		
One-stop value chain services	**–**	2,401
Health care services	**17,834**	18,644
Rental income *(Note)*	**219**	402
Trading of ceramic products	**2,745**	5,776
	20,798	27,223

Note:

	2012	2011
	HK$'000	*HK$'000*
Gross rental income	**219**	402
Less: outgoings (included in cost of sales)	**(31)**	(17)
Net rental income	**188**	385

6. OTHER REVENUE

	2012	2011
	HK$'000	*HK$'000*
Other rental income	**10**	11
Interest income	**1**	–
Sundry income	**3**	–
	14	11

7. SEGMENT INFORMATION

The Group's operation segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. One-stop value chain services – provision of total solution services including trading, packaging and logistic solutions

2. Health care services – provision of health care services

3. Property investment – generated rental income from operating leases of Group's investment properties

4. Trading of ceramic products – trading of ceramic sanitary ware products

Trading of ceramic products is a new reportable segment of the Group for the year ended 31 December 2011.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 December

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE										
External sales	**–**	2,401	**17,834**	18,644	**219**	402	**2,745**	5,776	**20,798**	27,223
Segment (loss) profit	**(1,095)**	(1,323)	**(4,835)**	3,309	**1,509**	1,058	**(308)**	722	**(4,729)**	3,766
Unallocated corporate revenue									**1,076**	11
Unallocated corporate expenses									**(13,931)**	(14,674)
Finance costs									**(3,462)**	(1,739)
Loss before taxation									**(21,046)**	(12,636)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of central administration costs, directors' emoluments, other revenue, gain on change in fair value of available-for-sale investments, impairment loss on available-for-sale investment, gain on early redemption of convertible bonds, finance costs and change in fair value of embedded conversion option of exchangeable bond. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	2012	2011
	HK$'000	*HK$'000*
Segment assets		
One-stop value chain services	**15**	279
Health care services	**3,255**	3,875
Property investment	**7,437**	11,696
Trading of ceramic products	**500**	3,034
Total segment assets	**11,207**	18,884
Unallocated corporate assets	**2,493**	1,708
Consolidated assets	**13,700**	20,592
Segment liabilities		
One-stop value chain services	**120**	108
Health care services	**2,318**	970
Property investment	**–**	55
Trading of ceramic products	**23**	–
Total segment liabilities	**2,461**	1,133
Unallocated corporate liabilities	**28,637**	36,886
Consolidated liabilities	**31,098**	38,019

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain plant and equipment, available-for-sale investment, certain other receivables and bank balance and cash; and
- all liabilities are allocated to operating segments other than certain other payables and accruals, amounts due to a former fellow subsidiary and a shareholder, income tax payable, loans from a former fellow subsidiary and a shareholder, borrowings and liability component of convertible preference shares.

Other segment information

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:												
Additions to non-current assets *(Note)*	**–**	–	**100**	79	**–**	–	**–**	–	**28**	–	**128**	79
Increase in fair value of investment properties, net	**–**	–	**–**	–	**1,320**	730	**–**	–	**–**	–	**1,320**	730
Depreciation for plant and equipment	**120**	120	**1,161**	1,355	**9**	10	**–**	–	**150**	121	**1,440**	1,606
Impairment loss on trade receivables	**–**	–	**–**	–	**328**	–	**–**	–	**–**	–	**328**	–

	One-stop value chain services		Health care services		Property investment		Trading of ceramic products		Unallocated		Total	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment profit or loss or segment assets:												
Investment in an associate	**–**	1	**–**	–	**–**	–	**–**	–	**–**	–	**–**	1
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**1**	–	**1**	–
Reclassification adjustments for the cumulative gain included in profit or loss upon early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	–	**790**	–	**790**	–
Gain on early redemption of convertible bonds	**–**	–	**–**	–	**–**	–	**–**	–	**272**	–	**272**	–
Loss on disposal of partial interest in a subsidiary	**–**	–	**–**	–	**(688)**	–	**–**	–	**–**	–	**(688)**	–
Impairment loss on plant and equipment	**(160)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(160)**	–
Impairment loss on available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**(500)**	–	**(500)**	–
Impairment loss on investment in an associate	**(1)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(1)**	–
Loss on disposal of plant and equipment	**–**	–	**–**	–	**(4)**	–	**–**	–	**–**	–	**(4)**	–
Change in fair value of embedded conversion option of exchangeable bond	**–**	–	**–**	–	**–**	–	**–**	–	**(112)**	–	**(112)**	–
Interest expense	**–**	–	**–**	–	**–**	–	**–**	–	**(3,462)**	(1,739)	**(3,462)**	(1,739)
Taxation	**–**	–	**–**	–	**–**	–	**–**	22	**–**	–	**–**	22

Note: Non-current assets excluded available-for-sale investments.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets other than available-for-sale investments are presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	For the year ended 31 December			
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**18,053**	21,447	**7,890**	13,447
Macau	**2,745**	5,776	**–**	–
	20,798	27,223	**7,890**	13,447

Information about major customers

Revenue from customers of the corresponding years contributing over 13% of the total sales of the Group are as follows:

	2012	2011
	HK$'000	*HK$'000*
Customer A[1]	**2,745**	5,776

[1] *Revenue from trading of ceramic products*

8. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on bank loans, wholly repayable within five years	**743**	210
Interest on other loans	**212**	92
Effective interest expense on convertible preference shares	**213**	237
Effective interest expense on convertible bonds	**1,266**	–
Interest on loan from a former fellow subsidiary	**720**	720
Interest on loan from a shareholder	**308**	480
	3,462	1,739

9. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Hong Kong Profits Tax – current	**–**	22

Hong Kong Profits Tax has not been provided for in the financial statement as the Group did not derive any assessable profit for the year ended 31 December 2012. For the year ended 31 December 2011, Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profits.

Pursuant to the rules and regulations of the Cayman Islands and BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

The tax charge for the years can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	*HK$'000*
Loss before taxation	**(21,046)**	(12,636)
Tax at the domestic income tax rate of 16.5% (2011: 16.5%)	**(3,473)**	(2,085)
Tax effect of expenses not deductible for tax purpose	**1,653**	806
Tax effect of income not taxable for tax purpose	**(348)**	(120)
Tax effect of temporary differences not recognised	**15**	–
Utilisation of temporary differences previously not recognised	**–**	(12)
Tax effect of tax losses not recognised	**2,153**	1,433
Tax charge for the year	**–**	22

10. LOSS FOR THE YEAR

	2012	2011
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**2,578**	2,574
Other staff costs (excluding directors' emoluments)	**3,630**	3,069
Retirement benefits scheme contributions (excluding directors)	**107**	95
	6,315	5,738
Auditors' remuneration	**420**	395
Depreciation for plant and equipment	**1,440**	1,606
Loss on disposal of plant and equipment	**4**	–
Impairment loss on plant and equipment	**160**	–
Impairment loss on trade receivables	**328**	–
Minimum lease payments paid under operating leases in respect of office premises	**6,348**	4,380

11. DIVIDEND

No dividend was paid or proposed during 2012, nor has any dividend been proposed since the end of the reporting period (2011: Nil).

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(21,046)**	(12,658)

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,680,300,331**	2,424,599,690

Diluted loss per share for the years ended 31 December 2012 and 2011 are the same as the basic loss per share. The computation of diluted loss per share for the year ended 31 December 2012 does not assume the conversion since there is no convertible preference shares as at 31 December 2012. The computation of diluted loss per share for the year ended 31 December 2011 does not assume the conversion of the Company's outstanding convertible preference shares since their exercise would result in a decrease in the loss per share.

13. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**456**	3,279
Less: allowance for doubtful debts	**(328)**	–
	128	3,279
Deposit and other receivables	**3,844**	429
Prepayments	**555**	1,075
	4,527	4,783

The credit period granted to the Group's trade customers generally ranges from 0 days to 90 days. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period.

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**119**	3,136
31 to 90 days	**9**	125
91 to 180 days	**–**	18
	128	3,279

The Group does not hold any collateral over these balances.

As at 31 December 2012, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$9,000 (2011: HK$3,214,000) which are past due as at the end of the reporting date for which the Group has not provided for impairment loss.

The ageing analysis of trade receivables which are past due but not impaired is as follows:

	2012	2011
	HK$'000	*HK$'000*
Past due but not impaired:		
0 to 30 days	**9**	3,071
31 to 90 days	**–**	143
	9	3,214

Trade receivables that were past due but not impaired relate to independent customers that have a good track record with the Group. Based on past experience and the financial standings of these customers, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable.

The Group's neither past due nor impaired trade receivables mainly represent sales made to creditworthy customers for whom there was no recent history of default.

The movements in provision for impairment loss of trade receivables were as follows:

	2012	2011
	HK$'000	*HK$'000*
At 1 January	**–**	–
Recognised during the year	**328**	–
At 31 December	**328**	–

Included in the provision for impairment loss of trade receivables are individually impaired receivables with an aggregate balance of HK$328,000 (2011: Nil). The individually impaired trade receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss is recognised.

The Group's trade and other receivables that are denominated in currency other than the functional currency of the relevant group entity is set out below:

	2012	2011
	HK$'000	*HK$'000*
Renminbi ("RMB")	**–**	3,034

14. AMOUNTS DUE TO A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER

The amounts represent amounts due to Luck Bloom and Top Status. The amounts are unsecured, non-interest bearing and repayable on demand.

15. BORROWINGS

	2012	2011
	HK$'000	*HK$'000*
Bank loans	**3,450**	5,850
Other loans	**5,600**	6,200
	9,050	12,050
Analysed as:		
Secured bank loans	**3,450**	5,850
Secured other loans	**–**	3,200
Unsecured other loans	**5,600**	3,000
	9,050	12,050

	2012	2011
	HK$'000	*HK$'000*
Carrying amount repayable *(Note)*:		
On demand or within one year	**9,050**	5,400
More than one year, but not exceeding two years	**–**	6,650
	9,050	12,050
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	(3,450)
Less: Amounts due within one year shown under current liabilities	**(9,050)**	(5,400)
Amounts shown under non-current liabilities	**–**	3,200

Note: These amounts due are based on the scheduled repayment dates set out in the loan agreements.

The exposure of the Group's loans is as follows:

	2012	2011
	HK$'000	*HK$'000*
Fixed rate loans		
On demand or within one year	**5,600**	3,000
More than one year, but not exceeding two years	**–**	3,200
Variable rate loans		
On demand or within one year	**3,450**	2,400
More than one year, but not exceeding two years	**–**	3,450
	9,050	12,050

For the year ended 31 December 2012, the Group's secured bank loans carry interests at the Hong Kong Dollars Prime Rate plus a margin (2011: Hong Kong Dollars Prime Rate plus or minus a margin) and other loan carries fixed interest at 9% (2011: 8%-9%).

The ranges of effective interest rates (which are also equal to the contracted interest rates) on the Group's loans are as follows:

	2012	2011
Fixed rate loans	**9%**	8% to 9%
Variable rate loans	**P + 4%**	P - 1.75% to P + 1%

At 31 December 2012 and 2011, the Group's secured bank loans and other loans are secured by the Group's investment properties.

16. LOANS FROM A FORMER FELLOW SUBSIDIARY/A SHAREHOLDER

The loan from a former fellow subsidiary represents loan with principal amount of HK$12,000,000 (2011: HK$12,000,000) from Luck Bloom. The loan carries interest fixed at 6% (2011: 6%) per annum.

The loan from a shareholder represents loan with principal amount of HK$4,300,000 (2011: HK$8,000,000) from Top Status. The loan carries interest fixed at 6% (2011: 6%) per annum.

At 31 December 2012, both of the loans are unsecured and repayable on 31 July 2013 and are classified under current liabilities in the consolidated statement of financial position.

At 31 December 2011, both of the loans are unsecured and repayable on 31 July 2012 and are classified under current liabilities in the consolidated statement of financial position.

The loans from a former fellow subsidiary and a shareholder are denominated in HK$.

17. CONVERTIBLE PREFERENCE SHARES

	Number of shares	**Amount** *HK$'000*
Authorised:		
At 1 January 2011, 31 December 2011 and 31 December 2012, HK$0.10 each	**173,913,043**	17,391
Issued and fully paid:		
At 1 January 2011 and 31 December 2011	**22,713,043**	2,271
Conversion of convertible preference shares	**(22,713,043)**	(2,271)
At 31 December 2012, HK$0.01 each	**–**	–

The principal terms of the Convertible Preference Shares ("CP Shares") on the date of issue include the following:

(i) Dividend

A dividend of HK$78,000 calculated at 3% of par value of CP Shares was accrued for the year ended 31 December 2012 (2011: HK$78,000). No dividends accrued or paid upon the CP Shares until 31 December 2007.

(ii) Capital

On a return of capital on liquidation or otherwise (but not on conversion), the holders of the CP Shares ("CP Shareholders") shall have the right to be paid, in priority to any return of assets in respect of any other class of shares in the capital of the Company up to an amount equal to the aggregate notional value of HK$20 million (equivalent to approximately HK$0.115 per CP Share *(Note)*).

(iii) Redemption

The Company shall redeem all of the CP Shares at par plus the accrued and unpaid dividends at the maturity date falling five years from the date of allotment and issue of CP Shares. The CP Shares was mature on 6 November 2012.

As at 2 November 2012, all the CP shares are converted into ordinary shares, no redemption during the current year.

(iv) Conversion rights

Each CP Shareholder shall have the right to convert at any time any CP Share, which shall be deemed to have a value equal to the notional value thereof, into ordinary shares at the conversion price of HK$0.115 per share *(Note)*, subject to adjustment provisions which are standard terms for convertible securities of similar type.

Each CP Shareholder shall exercise the conversion right attaching to the CP Shares only if it has been confirmed by the Company in writing that the allotment and issue of the ordinary shares to such CP Shareholder and the Company will only issue the ordinary shares pursuant to an exercise of such conversion right if such issue will not cause the Company to be in breach of the minimum public float requirement of not less than 25% as stipulated under Rule 11.23 of the GEM Listing Rules.

(v) Transferability

The CP Shares may be freely transferable subject to the provision of the Company's Bye-laws relating to the transfer of shares and share certificates and provided that no transfer of a CP Share shall be effected within a period of six months commencing on the date of issue of such CP Share.

(vi) Voting

The CP Shareholders shall not have the right to receive notice of, or to attend and vote at, general meetings of the Company, unless a resolution is to be proposed at a general meeting of the Company for winding up the Company or which if passed would vary or abrogate the rights or privileges of the CP Shareholders.

Note:

Following the share subdivision took effect on 13 October 2009, the conversion price of the CP Shares was adjusted from HK$0.115 per share to HK$0.0115 per share.

The net proceeds received from the issue of the CP Shares contain two components:

(i) Liability component represents the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 10.27% per annum.

(ii) Equity component represents the difference between the proceeds of issue of the CP Shares and the fair value assigned to the liability component.

The movement of the CP Shares for the year is as follows:

	Liability component *HK$'000*	**Equity component** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	2,318	538	2,856
Interest charge	237	–	237
3% CP dividend	(78)	–	(78)
At 31 December 2011	2,477	538	3,015
Interest charge	213	–	213
3% CP dividend	(78)	–	(78)
Conversion during the year	(2,612)	(538)	(3,150)
At 31 December 2012	–	–	–

During the year ended 31 December 2012, 227,130,430 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share.

EXTRACT FROM THE INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 December 2012 which has included an emphasis of matter, but without qualification:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group had incurred loss of approximately HK$21,046,000 for the year ended 31 December 2012 and the Group had net current liabilities and capital deficiency of approximately HK$25,292,000 and HK$17,398,000 respectively as at 31 December 2012. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as going concern.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in the health care services, trading of ceramic products, property investment and the one-stop value chain services.

Amid the global economic uncertainties including the sovereign debt crisis in the eurozone and uncertain outlook for the U.S. economy, as well as keen competition in the markets in Hong Kong and the People's Republic of China ("**PRC**"), the Group recorded a revenue of approximately HK$20,798,000 (2011: HK$27,223,000) for the year ended 31 December 2012, representing a decrease of approximately 23.60% as compared to that of last year. For the year ended 31 December 2012, loss for the year and total comprehensive expense for the year amounted to approximately HK$21,046,000 (2011: HK$12,658,000), representing an increase of approximately 66.27% as compared to that of last year; and the basic loss per share of the Company was approximately HK0.79 cent (2011: HK0.52 cent). The Group had adopted a positive, but prudent approach in evaluating business opportunities in Hong Kong and the PRC which, as transpired, has been important in preserving the competitiveness of the Group and in alleviating adverse impact brought by market volatility and economic uncertainty.

Health Care Services

In respect of the management of health care services business for the year ended 31 December 2012, this business segment reported a revenue of approximately HK$17,834,000 (2011: HK$18,644,000) and a segment loss of approximately HK$4,835,000 (2011: a segment profit of approximately HK$3,309,000).

Trading of Ceramic Products

In the fourth quarter of 2011, the Group started its trading of ceramic products in Macau. This new business segment reported a revenue of approximately HK$2,745,000 (2011: HK$5,776,000) and a segment loss of approximately HK$308,000 (2011: a segment profit of approximately HK$722,000) for this year.

Property Investment

At 31 December 2012, the Group held properties in Hong Kong for investment purpose with carrying value of approximately HK$7,420,000 (2011: HK$11,500,000).

During the year, this business segment reported a rental income of approximately HK$219,000 (2011: HK$402,000) and a net increase in fair value of investment properties of approximately HK$1,320,000 (2011: HK$730,000) as a result of the property revaluation conducted by an independent professional valuer at the end of the year of 2012. A segment profit of approximately HK$1,509,000 (2011: HK$1,058,000) was recorded for this year.

One-stop Value Chain Services

The IT and telecommunications business of the Group has not generated any revenue for this year (2011: HK$2,401,000). This was mainly due to uncertainties in the global external environment and keen competition in the manufacturing market in Hong Kong and the PRC.

FINANCIAL REVIEW

For the year ended 31 December 2012, the Group recorded a revenue of approximately HK$20,798,000 (2011: HK$27,223,000), representing a decrease of approximately 23.60% as compared to that of last year. This decrease was mainly due to no revenue generated from one-stop value chain services and decrease in revenue from trading of ceramic product in 2012.

Cost of sales for the year under review was approximately HK$18,012,000 (2011: HK$22,112,000), representing a decrease of approximately 18.54% as compared to that of last year. This decrease was in line with the decrease in revenue for the year.

Administrative expenses for the year under review was approximately HK$21,465,000 (2011: HK$16,749,000), representing an increase of approximately 28.16% as compared to that of last year. This increase was mainly due to increase in professional fee and rental expenses.

Finance costs for the year under review was approximately HK$3,462,000 (2011: HK$1,739,000), representing an increase of approximately 99.08% as compared to that of last year. This increase was mainly due to an effective interest expense on convertible bond incurred for the year ended 31 December 2012 and the increase in interest expense arising on bank loans and other loans.

The Group recorded a loss attributable to owners of the Company in the amount of approximately HK$21,046,000 (2011: HK$12,658,000), representing an increase of approximately 66.27% as compared with last year. As a result, basis loss per share of the Company increased from HK0.52 cent for the year ended 31 December 2011 to HK0.79 cent for the year ended 31 December 2012.

Liquidity and Financial Resources

The Group financed its business operations mainly with its internally generated resources and borrowings during the year under review. At 31 December 2012, the bank balances and cash of the Group was approximately HK$79,000 (2011: HK$662,000).

At 31 December 2012, the net liabilities of the Group was approximately HK$17,398,000 (2011: HK$17,427,000) and the net current liabilities was approximately HK$25,292,000 (2011: HK$28,174,000).

Gearing Ratio

At 31 December 2012, the total liabilities of the Group amounted to approximately HK$31,098,000 (2011: HK$38,019,000), which mainly comprised of other payables and accruals, amounts due to a shareholder and a former fellow subsidiary, loans from a shareholder and a former fellow subsidiary and borrowings. All of these borrowings are denominated in Hong Kong dollars. The Group's banking facilities were secured by investment properties held by the Group with a carrying value of approximately HK$7,420,000 (2011: HK$11,500,000) at 31 December 2012.

At 31 December 2012, the Group had total assets of approximately HK$13,700,000 (2011: HK$20,592,000). The gearing ratio of the Group, expressed as the ratio of total liabilities to total assets, increased to 2.27 as at 31 December 2012 (2011: 1.85).

Segmental Information

An analysis of the Group's performance for the year by business segment is set out in Note 7 to this announcement.

Employees and Remuneration Policies

As at 31 December 2012, the Group had 16 (2011: 13) full-time employees in Hong Kong. Staff costs, including directors' emoluments of the Company for the year ended 31 December 2012 were approximately HK$6,315,000 in total (2011: HK$5,738,000). The Group determines the remuneration and compensation payable to its staff based on individual performance and expertise. Apart from basic remuneration, share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution. Other benefits include retirement schemes.

Capital Structure

As at 31 December 2012, the Company's issued ordinary share capital was HK$29,317,301.20 divided into 2,931,730,120 shares of HK$0.01 each ("**Shares**") (2011: HK$24,245,996.90 divided into 2,424,599,690 Shares).

Convertible Preference Shares

During the year ended 31 December 2012, 227,130,430 ordinary shares of HK$0.01 each were issued pursuant to the conversion of the convertible preference shares at a conversion price of HK$0.0115 per share and all the convertible preference shares are fully converted thereafter.

Convertible Bonds

Reference is made to the announcements of the Company dated 31 January 2012, 21 February 2012, 5 March 2012, 20 March 2012, 3 April 2012, 23 April 2012, 7 May 2012, 14 May 2012, 21 May 2012, 20 June 2012, 9 July 2012 and the circular of the Company dated 28 May 2012 (the "**Circular**") in relation to, inter alia, the subscription of Exchangeable Bond in principal amount of HK$18 million.

Reference is also made to the announcements of the Company dated 1 November 2012, 16 November 2012 and 8 January 2013 in relation to, inter alia, the lapse of the very substantial acquisition (the "**Announcements**"). Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Announcements and the Circular.

In accordance with the Convertible Bond Instrument, the Company shall redeem the Convertible Bonds if (i) the Revised Option is not exercised by the Subscriber or if the Revised Option lapses, or (ii) the Issuer redeems the Exchangeable Bond. On 28 December 2012, the Revised Option lapsed thereafter the Company has early redeemed the Convertible Bonds.

Fund Raising Activities

Placing of Existing Shares and Subscription of New Shares

On 12 March 2012, Top Status International Limited (the "**Vendor**"), the Company and FT Securities Limited (as the placing agent) entered into a placing agreement with respect to the placing of up to 280,000,000 existing Shares owned by the Vendor at the placing price of HK$0.068 per Share (collectively, the "**Placing**"). Also, on the same day, the Vendor (as the subscriber) and the Company (as the issuer) entered into a subscription agreement with respect to the subscription of such number of new Shares which is equivalent to the number of the Shares actually placed by the Vendor under the Placing, at the subscription price of HK$0.068 per Share (collectively, the "**Subscription**"). Both the Placing and the Subscription were completed on 19 March 2012. The 280,000,000 existing Shares were fully placed to not less than six placees and 280,000,000 new Shares were issued to the Vendor. The net proceeds are approximately HK$18.4 million, out of which HK$5 million was used for the repayment of a loan and the remainder of approximately HK$13.4 million is for the general working capital of the Group. For details, please refer to the announcements of the Company dated 13 March 2012 and 19 March 2012 respectively.

Placing of Convertible Bonds

On 12 March 2012, the Company (as the issuer) entered into a conditional placing agreement with FT Securities Limited (as the placing agent) with respect to the placing of convertible bonds up to the principal amount of HK$20,000,000 due on 31 December 2015. Assuming all the convertible bonds are placed and their conversion rights are exercised in full, a maximum of 200,000,000 new Shares will be issued at the initial conversion price of HK$0.10 per Share, the maximum gross and net proceeds will be approximately HK$20 million and HK$19.4 million respectively. The Company intends to use the proceeds towards the general working capital of the Group. For details, please refer to the announcements of the Company dated 13 March 2012 and 11 May 2012. On 30 November 2012, the Company was informed by the placing agent that the placing had not been successfully completed on or before 30 November 2012, being the expiry date of the placing period for the fulfillment of the conditions in the conditional placing agreement. Accordingly, the conditional placing agreement lapsed. For details, please refer to the announcement of the Company dated 30 November 2012.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Major Transaction in relation to the Subscription of Exchangeable Bond in Principal Amount of HK$18 million

On 20 January 2012, the Company, Prima Target Limited (the "**Subscriber**", a wholly-owned subsidiary of the Company) and Lion Legend Holdings Limited (the "**Issuer**") entered into the subscription agreement (as amended and supplemented by the supplement agreements dated 20 March 2012, 20 April 2012, 21 May 2012 and 20 June 2012 respectively) (collectively referred to as the "**Subscription Agreement**") with respect to the subscription of the exchangeable bonds in principal amount of HK$18,000,000. The subscription price shall be satisfied by the Company by way of issuance of the convertible bonds in the principal amount of HK$18,000,000 convertible into 480,000,000 new Shares at the conversion price of HK$0.0375 per Share (collectively, the "**Subscription**").

The exchangeable bonds shall be exchangeable for one share in Kingbridge Investment Limited ("**KBI**"), representing 10% of the existing issued share capital of KBI. The principal asset of KBI is its 67.11% interest in 兆峰陶瓷（北京）潔具有限公司 (Siu Fung Ceramics (Beijing) Sanitary Ware Company Limited*) ("**Siu Fung**"), a company incorporated in the PRC with limited liability, which is principally engaged in the manufacturing and trading of ceramic sanitary ware and accessories mainly in the PRC. Furthermore, upon completion of the Subscription, the Issuer shall grant to the Subscriber, at a nominal consideration of HK$1.00, an option to acquire from the Issuer all the remaining 90% equity interest in KBI, and the entire issued share capital of Hillmond International Holdings Limited, the legal and beneficial owner of 10.89% interest in Siu Fung. The exercise price of the option shall be satisfied by the Company by issuance of convertible bonds that are convertible into not more than 9,000,000,000 new Shares but not less than 71% of the entire issued share capital of the Company on the prescribed enlarged basis as set out in the Subscription Agreement.

The Subscription constitutes a major transaction for the Company and is subject to the approval of the shareholders of the Company. On 13 June 2012, the Company held a special general meeting (the "**SGM**") and in the SGM the ordinary resolution to ratify, confirm and approve the Subscription Agreement and the transactions contemplated thereunder and to authorize directors of the Company to do all such acts and thing and execute all such documents necessary to give effect to the Subscription Agreement and the transactions contemplated thereunder was duly passed by the shareholders of the Company by way of poll. With all the conditions of the Subscription Agreement having been fulfilled, the Subscription was completed on 9 July 2012. At completion, the Issuer issued to the Subscriber the exchangeable bonds in the principal amount of HK$18,000,000 and granted the Subscriber the option to acquire from the Issuer all (but not part of) the remaining asset.

On 31 October 2012 (after trading hours), the Company, the Issuer and the Subscriber entered into the fifth supplemental agreement (as supplemented by sixth supplemental agreement dated 20 November 2012) (collectively, the "**Supplemental Agreement**") to vary certain terms of the option (the "**Revised Option**") granted to the Subscriber in relation to, inter alia, the following key revisions: (i) upon exercising the Revised Option, the Subscriber shall acquire from the Issuer 5 KBI shares, at HK$192 million (the "**Option Exercise Price**"); (ii) the Option Exercise Price shall be the aggregate sum of HK$192 million, which shall be settled by the Subscriber and the Company in the ways of (a) HK$32 million of the Option Exercise Price to be settled by the Company's issuance and allotment of 800,000,000 new Shares at the issue price of HK$0.04; and (b) HK$160 million of the Option Exercise Price to be settled by the Company's issuance of the convertible bonds in the principal amount of HK$160 million convertible into 4 billion new Shares at the conversion price of HK$0.04; (iii) pre-completion events of the exercise of the Revised Option; and (iv) undertakings of the Company. The Board resolved to exercise the Revised Option of even date. The exercise of the Revised Option will constitute a very substantial acquisition for the Company and is subject to the approval of the shareholders of the Company. Since certain conditions precedent had not been fulfilled or waived, inter alia, all necessary consent and approval by regulators pursuant to the Rules Governing the Listing of Securities on the GEM Board of the Stock Exchange ("**GEM Listing Rules**") on or before 28 December 2012, the Supplemental Agreement lapsed on 28 December 2012.

On 11 January 2013, the Company completed the convertible bonds redemption in the aggregate principal amount of HK$18,000,000 pursuant to the redemption notice issued to the Issuer.

For details, please refer to the Company's announcements dated 31 January 2012, 21 February 2012, 5 March 2012, 20 March 2012, 3 April 2012, 23 April 2012, 7 May 2012, 14 May 2012, 21 May 2012, 20 June 2012, 9 July 2012, 8 January 2013 and 11 January 2013 and the circular dated 28 May 2012.

Discloseable Transaction in relation to Deemed Disposal of Equity Interest in Watson China Limited

On 19 December 2012, the Company, Grand Protection Holdings Limited, Watson China Limited (the "**Issuer**") and Teamedics Enterprise (Holdings) Co., Limited (the "**Subscriber**") entered into the share subscription agreement pursuant to which the Subscriber agreed to subscribe and the Issuer agreed to allot and issue the shares of the Issuer at the subscription price of HK$2,680,999 (the "**Subscription**"). The aggregate subscription price in the amount of HK$2,680,999 consists of (a) HK$999, being the consideration to be paid by the Subscriber to the Issuer; and (b) HK$2,680,000, being the premium to be paid by the Subscriber for the issuer shares. The subscription price was satisfied by the Subscriber in cash. The Subscription was completed on 21 December 2012 and hence the Issuer is no longer be a subsidiary of the Company.

Save as disclosed above, the Group did not have any other material acquisition or disposal of any of its subsidiaries or affiliated companies during the year under review.

Significant Investments

Save as disclosed in this announcement, the Group did not have any significant investment during the year ended 31 December 2012 (2011: Nil).

Charges on Group's Assets

Investment properties with a carrying value of approximately HK$7,420,000 (2011: HK$11,500,000) were pledged as security for the banking facilities granted to the Group.

Contingent Liabilities

At 31 December 2012, the Group did not have any significant contingent liabilities (2011: Nil).

Capital Commitments

At 31 December 2012, the Group did not have any significant capital commitments (2011: Nil).

Exposure to Fluctuation in Exchange Rates

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

OUTLOOK AND PROSPECTS

The Group seeks investment opportunities and focuses on long-term business development. It also aims to diversify the business portfolio by exploring the feasibility of expansion into other business segments. Even though the lapse of very substantial acquisition as discussed above, the Group continued its principal businesses of health care services, trading of ceramic products, property investment and provision of one-stop value chain services to telecommunications, information technology and advanced manufacturing industries in future. The Group will also keep evaluating opportunities to acquire new businesses with a view to diversify its source of revenue from different business segments and geographical locations.

The Board will continue to adopt a positive yet prudent approach in its investment strategy and will continue to seek other investment opportunities and to explore possible business development by diversifying the Group's business portfolio. It will actively explore the feasibility of expansion into other business segments with an aim to maximize the Group's profitability and the shareholders' value in the long run.

EVENTS AFTER THE REPORTING PERIOD

Issue of Convertible Bonds

On 22 February 2013, (i) the Company and Top Status International Limited ("**Top Status**") entered into a legal-binding subscription agreement (the "**CB Subscription Agreement**") in connection with the issue by the Company of convertible bonds (the "**Convertible Bonds**") to Top Status in the aggregate principal amount of HK$34.5 million, on the terms and conditions set out in the CB Subscription Agreement. As of 22 February 2013, Top Status was a wholly-owned subsidiary of China Railway Logistics Limited, the ultimate substantial shareholder of the Company and thus, a connected person of the Company and the CB Subscription Agreement constituted a connected transaction under the GEM Listing Rules. Upon full conversion of the Convertible Bonds at the conversion price of HK$0.01 per conversion share (the "**Conversion Price**"), up to a maximum of 3,450,000,000 new conversion shares (the "**Conversion Shares**") shall be issued, representing approximately 117.68% of the existing issued share capital of the Company and approximately 54.06% of the issued share capital of the Company as enlarged by the issue of such Conversion Shares at the Conversion Price.

The estimated net proceeds from the subscription for the Convertible Bonds as contemplated under the CB Subscription Agreement (the "**Subscription**") will be approximately HK$33.72 million (after deducting all relevant expenses), representing a net conversion price of approximately HK$0.0098 per Conversion Share. The Board intends to apply the net proceeds from the Subscription (i) of which HK$11 million to set off against part of the outstanding indebtedness due and owing by the Company to Top Status; and (ii) the balance of which as general working capital of the Company.

As of 22 February 2013, the authorised share capital of the Company was HK$50,000,000 consisting of (i) HK$32,608,695.70 divided into 3,260,869,570 Shares, of which 2,931,730,120 Shares had been issued and allotted as fully paid or credited as fully paid; and (ii) HK$17,391,304.30 being the nominal amount of the convertible preference shares of the Company.

In order to facilitate the possible issue of the Conversion Shares and provide for future expansion in the share capital of the Company, the Directors propose that the authorised share capital of the Company be increased from HK$50,000,000 to HK$100,000,000 (divided into 8,260,869,570 Shares and 173,913,043 convertible preference shares of the Company at par values of HK$0.01 and HK$0.10 respectively) by the creation of an additional 5,000,000,000 new ordinary shares of the Company. For details, please refer to the announcement of the Company dated 22 February 2013. It is expected that the circular and notice of the special general meeting with respect to this connected transaction involving issue of convertible bonds and increase in authorised share capital will be dispatched to the shareholders of the Company as soon as practicable.

In addition, a loan facility confirmation letter has been signed by Top Status on 18 March 2013, an irrevocable standby loan facility of HK$31,000,000 has been granted from Top Status to the Company if the Subscription shall not be or fails to be completed.

DIVIDENDS

The Directors do not recommend the payment of final dividend for the year ended 31 December 2012 (2011: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 14 May 2013 to Thursday, 16 May 2013, both days inclusive, during which period no transfers of Shares shall be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers of Shares, accompanied by the relevant Share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong for registration not later than 4:00 p.m. on Monday, 13 May 2013.

REPURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2012, neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures contained in the preliminary announcement of the Group's results for the year have been agreed by the Group's auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group's consolidated financial statement for the year ended 31 December 2012. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by SHINEWING (HK) CPA Limited on the preliminary announcement.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year under review except for the following deviation:

The code provision A.2.1 of the Code provides, among others, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Throughout the year, the Company did not appoint a chairman.

The Board will keep reviewing the structure of the Board from time to time. If candidate with suitable knowledge, skills and experience is identified, the Company will make appointment to fill the post of chairman as appropriate.

Under code provision A.2.7 of the CG Code, the chairman of the board should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present. As the Company does not have the Chairman, no such meeting was held in this regard for the year ended 31 December 2012.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") on 31 July 2001 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently comprises three independent non-executive Directors; namely, Mr. Chau Chi Ming (Chairman of the Audit Committee), Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.

The audited financial results of the Group for the year ended 31 December 2012 have been reviewed by the Audit Committee.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.aplushk.com/clients/8166chinaeco-farming/index.htm). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

On behalf of the Board
China Eco-Farming Limited
Tsang Chi Hin
Chief Executive and Executive Director

Hong Kong, 19 March 2013

As at the date of this announcement, the chief executive and executive Director is Mr. Tsang Chi Hin; the executive Director is Mr. Chu Yu Man, Philip; and the independent non-executive Directors are Mr. Chau Chi Ming, Mr. Cheung Tak Shum and Mr. Lau Tin Cheung.