



國農金融投資有限公司
China Demeter Financial Investments Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 8120)

**FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

**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.

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Directors”) of China Demeter Financial Investments Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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.

RESULTS

The board of directors (the “Board”) of the Company announces the audited consolidated final results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2016 together with the comparative figures for the year ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Continuing operations			
Revenue	4	61,703	57,721
Cost of sales and services		<u>(38,949)</u>	<u>(35,955)</u>
Gross profit		22,754	21,766
Other income, other gains and losses	4	4,647	11,327
Selling and distribution costs		(169)	(171)
General and administrative expenses		(26,452)	(19,736)
Change in fair value of biological assets less costs to sell		—	530
Change in fair value of financial asset through profit or loss		218	3,616
Impairment loss of available-for-sale investments		(1,320)	(5,934)
Impairment loss of goodwill		(373)	—
Impairment loss of property, plant and equipment		(1,256)	—
Share of loss of a joint venture		(11,897)	(718)
Finance costs	5	<u>(870)</u>	<u>(252)</u>
(Loss) profit before tax		(14,718)	10,428
Income tax credit (expense)	6	<u>361</u>	<u>(1,273)</u>
(Loss) profit for the year from continuing operations	8	<u>(14,357)</u>	<u>9,155</u>
Discontinued operations			
Profit for the year from discontinued operations	7	<u>—</u>	<u>3,850</u>
(Loss) profit for the year		<u>(14,357)</u>	<u>13,005</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(1,753)	(4,501)
Share of other comprehensive income (expense) of a joint venture		277	(230)
Reclassification adjustments relating to foreign operations disposed of during the year		—	919
Change in fair value of available-for-sale investment		(112)	—
Reclassification upon impairment of available-for-sale investment		—	284
		<u> </u>	<u> </u>
Other comprehensive expense for the year		<u>(1,588)</u>	<u>(3,528)</u>
Total comprehensive (expense) income for the year		<u><u>(15,945)</u></u>	<u><u>9,477</u></u>
(Loss) profit for the year attributable to:			
— Owners of the Company		(17,683)	6,168
— Non-controlling interests		3,326	6,837
		<u> </u>	<u> </u>
		<u>(14,357)</u>	<u>13,005</u>
Total comprehensive (expense) income attributable to:			
— Owners of the Company		(18,415)	5,544
— Non-controlling interests		2,470	3,933
		<u> </u>	<u> </u>
		<u>(15,945)</u>	<u>9,477</u>
			(Restated)
(Loss) earnings per share			
	9		
— for continuing and discontinued operations			
Basic <i>(HK cents)</i>		<u>(3.01)</u>	<u>1.67</u>
Dilutive <i>(HK cents)</i>		<u>(3.01)</u>	<u>1.67</u>
— for continuing operations			
Basic <i>(HK cents)</i>		<u>(3.01)</u>	<u>1.52</u>
Dilutive <i>(HK cents)</i>		<u>(3.01)</u>	<u>1.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Notes</i>	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		6,956	8,637
Prepaid lease payments		887	968
Goodwill		13,844	373
Intangible asset		500	—
Investment in a joint venture		2,432	14,052
Biological assets	<i>10</i>	—	523
Loans and interest receivables	<i>13</i>	33,082	11,587
Available-for-sale investments		33,616	38,503
Other assets		230	—
Deferred tax assets		11	—
		91,558	74,643
Current assets			
Biological assets	<i>10</i>	—	1,054
Inventories		1,696	1,287
Trade receivables	<i>11</i>	94,151	2,477
Loans and interest receivables	<i>13</i>	52,646	110,605
Deposits, prepayments and other receivables	<i>12</i>	14,688	12,538
Financial assets at fair value through profit or loss	<i>14</i>	150,725	90,428
Trust bank accounts		26,998	—
Cash and cash equivalents		73,971	69,562
		414,875	287,951
Current liabilities			
Trade and other payables	<i>16</i>	51,827	9,732
Amount due to a non-controlling interest		29,400	—
Derivative financial instruments		6	—
Bank and other borrowings	<i>15</i>	25,470	—
Current tax liabilities		349	813
		107,052	10,545
Net current assets		307,823	277,406
Total assets less current liabilities		399,381	352,049

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current liabilities			
Deferred tax liabilities		—	403
		<hr/>	<hr/>
Net assets		399,381	351,646
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		7,691	19,727
Reserves		353,729	322,327
		<hr/>	<hr/>
Equity attributable to owners of the Company		361,420	342,054
Non-controlling interests		37,961	9,592
		<hr/>	<hr/>
Total equity		399,381	351,646
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company											Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Available- for-sale investments revaluation reserve HK\$'000	(Accumulated losses) Retained profits HK\$'000	Sub-total HK\$'000	Attributable to non- controlling interests HK\$'000	
Balance at 1 January 2015	15,609	42,900	348,685	61,545	873	4,672	2,934	(284)	(186,376)	290,558	54,540	345,098
Profit for the year	—	—	—	—	—	—	—	—	6,168	6,168	6,837	13,005
Other comprehensive income (expense) for the year	—	—	—	—	—	—	(908)	284	—	(624)	(2,904)	(3,528)
Total comprehensive income (expense) for the year	—	—	—	—	—	—	(908)	284	6,168	5,544	3,933	9,477
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	(101)	(101)
Disposal of the Zhao Hui Group (Note 7)	—	—	—	—	—	—	—	—	—	—	(48,780)	(48,780)
Issue of subscription shares	830	13,695	—	—	—	—	—	—	—	14,525	—	14,525
Issue of placing shares	3,288	29,588	—	—	—	—	—	—	—	32,876	—	32,876
Transaction costs related to issue of shares	—	(1,449)	—	—	—	—	—	—	—	(1,449)	—	(1,449)
Amount transferred to write off accumulated losses (Note)	—	—	(188,432)	—	—	—	—	—	188,432	—	—	—
Balance at 31 December 2015	19,727	84,734	160,253	61,545	873	4,672	2,026	—	8,224	342,054	9,592	351,646
(Loss) profit for the year	—	—	—	—	—	—	—	—	(17,683)	(17,683)	3,326	(14,357)
Other comprehensive expense for the year	—	—	—	—	—	—	(620)	(112)	—	(732)	(856)	(1,588)
Total comprehensive (expense) income for the year	—	—	—	—	—	—	(620)	(112)	(17,683)	(18,415)	2,470	(15,945)
Capital reorganisation	(15,782)	—	15,782	—	—	—	—	—	—	—	—	—
Issue of shares pursuant to open offer	1,973	17,754	—	—	—	—	—	—	—	19,727	—	19,727
Issue of shares upon exercise of share options	590	8,036	—	—	—	(2,136)	—	—	—	6,490	—	6,490
Issue of placing shares	1,183	10,651	—	—	—	—	—	—	—	11,834	—	11,834
Transaction costs related to issue of shares	—	(2,406)	—	—	—	—	—	—	—	(2,406)	—	(2,406)
Recognition of equity-settled share-based payment	—	—	—	—	—	2,136	—	—	—	2,136	—	2,136
Lapse of share options	—	—	—	—	—	(4,672)	—	—	4,672	—	—	—
Non-controlling interests arising on acquisition of a subsidiary	—	—	—	—	—	—	—	—	—	—	25,899	25,899
Amount transferred to written off accumulated loss (Note)	—	—	(22,484)	—	—	—	—	—	22,484	—	—	—
Balance at 31 December 2016	7,691	118,769	153,551	61,545	873	—	1,406	(112)	17,697	361,420	37,961	399,381

Note:

Pursuant to the special resolution passed in an extraordinary general meeting (“EGM”) and SGM held on 24 April 2014 and 3 February 2016 respectively and took effect on 5 June 2014 and 4 February 2016, the directors were authorised to use HK\$195,134,000 and HK\$15,782,000 credit balance in the contribution surplus account result from the reduction of the paid-up capital of the Company to eliminating or setting off the accumulated losses of the Company. During the year ended 31 December 2016, approximately HK\$22,484,000 (2015: HK\$188,432,000) credit balance in the contribution surplus account was used to eliminate the accumulated losses of the Company.

NOTES

1. GENERAL INFORMATION

China Demeter Financial Investments Limited (formerly known as China Demeter Investments Limited) (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2000 under the Companies Laws of the Cayman Islands.

In 2014, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 8 May 2014 (Bermuda time).

Pursuant to the special resolution passed by the shareholders at the special general meeting of the Company held on 2 December 2016, the name of the Company in English was changed from “China Demeter Investments Limited” to “China Demeter Financial Investments Limited” and the second name of the Company in Chinese from “中國神農投資有限公司” to “國農金融投資有限公司”. The certificate of registration of alteration of name of registered non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 30 December 2016 certifying that the new English and Chinese names of the Company have been registered in Hong Kong.

The shares of the Company are listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at 3/F, Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively the “Group”) was involved in the following principal activities:

- manufacturing, development and distribution of feedstock products, animal husbandry and related activities in the People’s Republic of China (the “PRC”);
- provision of loan financing in Hong Kong;
- provision of financial services (including advising and dealing in securities);
- investment in listed and unlisted securities; and
- food and beverage business.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has applied for the first time in current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27	<i>Equity Method in Separate Financial Statements</i>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2012 – 2014 Cycle</i>

The directors consider that the adoption of the amendments to HKFRSs has no material effect on the Group’s consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	<i>Financial Instruments</i> ²
HKFRS 15	<i>Revenue from Contracts with Customer</i> ²
HKFRS 16	<i>Leases</i> ³
Amendments to HKAS 7	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrecognised Losses</i> ¹
Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ²
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ²
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to HKFRS 15	<i>Clarification to HKFRS 15 Revenue from Contracts with Customers</i> ²

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

3. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

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

- Agricultural segment comprises the feedstock products business and the animal husbandry business in the PRC;
- Money lending segment comprises provision of loan financing in Hong Kong;
- Financial services segment comprises advising and dealing in securities;
- Securities investment segment comprises investment in listed securities; and
- Food and beverage segment in Hong Kong.

During the year ended 31 December 2016, the Group has introduced a new reportable segment, financial services as a result of the acquisition of Profit Network Asia Inc. (“Profit Network”).

Two operations (IT business segment comprises provision of professional IT contract and maintenance services in the PRC and processing and sales of food product segment) were discontinued in 2015. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 7.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Continuing operations	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue												
Revenue from external customers	40,567	39,962	6,261	13,367	7,888	—	442	—	6,545	4,392	61,703	57,721
Inter-segment revenue	—	—	—	—	80	—	—	—	—	—	80	—
Segment revenue	40,567	39,962	6,261	13,367	7,968	—	442	—	6,545	4,392	61,783	57,721
Elimination											(80)	—
Group revenue											61,703	57,721
Segment profit (loss)	5,645	6,719	4,704	11,512	2,543	—	(586)	2,519	(1,824)	(609)	10,482	20,141
Other income, other gains and losses											3,711	11,327
Impairment loss of available-for-sale investments											(1,320)	(5,934)
Share of loss of a joint venture											(11,897)	(718)
Finance costs											(870)	(252)
Central administration costs											(14,824)	(14,136)
(Loss) profit before tax											(14,718)	10,428

Inter-segment pricing is based on similar terms to those available to other external parties for similar services. There were no inter-segment sales for the year ended 31 December 2015.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, dividend income from available-for-sale investments, net foreign exchange (loss) gain and sundry income as included in other income, other gains and losses, impairment loss of available-for-sale investments, share of loss of a joint venture, finance costs and central administration costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	29,895	25,586	88,150	126,705	162,569	—	162,522	107,632	603	1,115	443,739	261,038
Investment in a joint venture											2,432	14,052
Available-for-sale investments											33,616	38,503
Corporate and unallocated assets											26,646	49,001
Consolidated assets											<u>506,433</u>	<u>362,594</u>
Segment liabilities	7,503	7,140	86	80	96,591	—	—	1,137	862	355	105,042	8,712
Corporate and unallocated liabilities											2,010	2,236
Consolidated liabilities											<u>107,052</u>	<u>10,948</u>

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

- all assets are allocated to operating segments other than investment in a joint venture, available-for-sale investments, corporate and unallocated assets. Goodwill and intangible asset are allocated to operating segments; and
- all liabilities are allocated to operating segments other than corporate and unallocated liabilities.

3. SEGMENT INFORMATION (Continued)

Other segment information

	Agricultural		Money lending		Financial services		Securities investment		Food and beverage		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	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												
Depreciation and amortisation	1,234	1,331	73	40	196	—	—	—	376	67	1,879	1,438
Unallocated depreciation											110	110
											<u>1,989</u>	<u>1,548</u>
Impairment loss of property, plant and equipment	821	—	—	—	—	—	—	—	435	—	1,256	—
Loss on disposal of property plant and equipment	—	—	129	—	—	—	—	—	—	—	129	—
Impairment loss of goodwill	—	—	—	—	—	—	—	—	373	—	373	—
Addition to non-current assets (Note)	90	—	310	28	42	—	—	—	473	529	<u>915</u>	<u>557</u>

Note: Non-current assets include property, plant and equipment and excluded those relating to discontinued operations.

3. SEGMENT INFORMATION (Continued)

Geographical information

The Group's continuing operations are located in the PRC and Hong Kong.

Information about the Group's revenue from continuing operations from external customers by location of operations and information about the Group's non-current assets by location of assets are detailed below:

	Revenue from external customers		Non-current assets	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
PRC	40,567	39,962	6,352	9,309
Hong Kong	21,136	17,759	15,835	1,192
Singapore	—	—	2,432	14,052
	<u>61,703</u>	<u>57,721</u>	<u>24,619</u>	<u>24,553</u>

Note: Non-current assets excluded those relating to discontinued operations, financial instruments and deferred tax assets.

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	<u>16,597¹</u>	<u>11,571¹</u>

¹ Revenue from agricultural segment

4. REVENUE AND OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of the Group's revenue and other income, other gains and losses from continuing operations for the year is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue		
Sale of feedstock products and animal husbandry products	40,567	39,962
Dividend income from listed equity investments	442	—
Loan interest income	6,261	13,367
Provision of financial services		
— Commission from securities dealing	2,206	—
— Placing and underwriting commission	3,668	—
— Interest income from securities clients	1,950	—
— Clearing and handling fee income	64	—
Provision of food and beverage services	6,545	4,392
	<u>61,703</u>	<u>57,721</u>
Other income, other gains and losses		
Bank interest income	16	12
Dividend income from available-for-sale investments	3,634	10,954
Loss on disposal of property, plant and equipment	(129)	—
Net foreign exchange (loss) gain	(5)	166
Impairment loss of trade receivables	(271)	—
Reversal of impairment loss of trade receivables	1,336	—
Sundry income	66	195
	<u>4,647</u>	<u>11,327</u>

5. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Continuing operations		
Interest on bank and other borrowings	<u>870</u>	<u>252</u>

6. INCOME TAX (CREDIT) EXPENSE

Continuing operations

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
PRC Enterprise Income Tax	30	56
Hong Kong Profits Tax	<u>77</u>	<u>80</u>
	<u>107</u>	<u>136</u>
(Over) under-provision in prior years		
Hong Kong Profits Tax	<u>(20)</u>	<u>734</u>
Deferred tax	<u>(448)</u>	<u>403</u>
Total income tax (credit) expense recognised in profit or loss	<u>(361)</u>	<u>1,273</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC Enterprise Income Tax is calculated for subsidiaries operating in the PRC at the prevailing rates of tax in accordance with the relevant income tax rules and regulations of the PRC for both years.

7. DISCONTINUED OPERATIONS

Year ended 31 December 2015

Disposal of the Sky Red Group

In July 2015, the Group has entered into a sale and purchase agreement to dispose of the entire issued share capital of Sky Red International Limited, a company incorporated in the British Virgin Islands with limited liability, and its subsidiaries of Oasis Island Ventures Limited and 易寶電腦系統(北京)有限公司 (transliterated as “EPRO Computer Systems (Beijing) Company Limited”) (“EPRO”) (collectively the “Sky Red Group”) at a consideration of HK\$2,000,000 to Mr. He Huaguang, a director of EPRO. Its principal operating company of the Sky Red Group is EPRO, a limited liability company established in the PRC, which is principally engaged in the provision of professional IT contract and maintenance services in the PRC. Upon disposal of the Sky Red Group, the Group’s operations in the IT business has been ceased. The disposal constitutes a major and connected transaction for the Company under the GEM Listing Rules and the resolution thereto were passed by the shareholders of the Company at an special general meeting held on 8 September 2015. The disposal was completed on 23 September 2015.

The consolidated assets, liabilities and loss on disposal of the Sky Red Group as at the date of disposal are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	124
Inventories	461
Trade receivables	4,990
Deposits, prepayments and other receivables	1,260
Cash and cash equivalents	2,358
Trade and other payables	<u>(6,483)</u>
Net assets disposed of	<u>2,710</u>
Loss on disposal:	
Consideration	2,000
Net assets disposed of	(2,710)
Release of foreign currency exchange reserve	<u>(84)</u>
Loss on disposal	<u><u>(794)</u></u>
Net cash outflow arising on disposal	
Cash consideration	2,000
Less: cash and cash equivalents disposed of	<u>(2,358)</u>
	<u><u>(358)</u></u>

7. DISCONTINUED OPERATIONS *(Continued)*

Year ended 31 December 2015 *(Continued)*

Deemed disposal of the Zhao Hui Group

The Group completed the acquisition of 55% equity interest in Zhao Hui Holdings Limited (“Zhao Hui”) in December 2014. Concurrent with such acquisition, 45% minority shareholder of Zhao Hui and 40% minority shareholder of Globe Year Limited (“Globe Year”) have entered into certain investment arrangements whereby upon completion of the corporate reorganisation in relation to such investment arrangements which took place on 31 December 2014, Zhao Hui has become the holding company of Viplus Dairy Pty Limited (“Viplus”), Australia Dairy Group Limited (“Australia Dairy”) and Globe Year. Zhao Hui and its subsidiaries (collectively the “Zhao Hui Group”) is principally engaged in milk formula processing, production and related business and an operator of a dairy manufacturing plant in Victoria, Australia.

Since May 2015, there was a dispute (the “Dispute”) regarding the resignation and removal of the general manager of Australia Dairy and Viplus as nominated by the 40% shareholder of Australia Dairy, Fortunate Times Enterprises Limited (“FTEL”). In this regard, FTEL has commenced an arbitration against Globe Year and Australia Dairy (the “HK Arbitration”) in the Hong Kong International Arbitration Centre (“HKIAC”).

On 30 September 2015, the Group entered into a sale and purchase agreement (“SP Agreement”) with FTEL to dispose of the Group’s 55% interest in Zhao Hui at a consideration of Australian dollars (“AU\$”) 3,227,400 (equivalent to approximately HK\$18,073,000). Upon completion of such disposal, the Group will cease to have any interest in the Zhao Hui Group. The disposal constitutes a major and connected transaction for the Company under the GEM Listing Rules and the resolution thereto were passed by the shareholders of the Company at an special general meeting held on 9 December 2015. The disposal was completed on 10 December 2015.

At the same time of entering the SP Agreement by the Group, the 45% minority shareholder of Zhao Hui and 40% minority shareholder of Globe Year have entered agreements to dispose of their respective equity interests in Zhao Hui and Globe Year to FTEL (“Minority Disposals”). As a result, the Company no longer has the power to exercise its control over the Zhao Hui Group, which control was previously supported by a voting consensus agreement amongst the Group and the two minority shareholders. As the Company lost control of the Zhao Hui Group, each member of the Zhao Hui Group ceased to be subsidiaries of the Company and the Company became as a minority shareholder of the Zhao Hui Group.

Further, as a result of the Dispute, the Group could not obtain the accounting records of Viplus, the subsidiary contributing most of the profits of the Zhao Hui Group since July 2015. The Board considered using the financial information of the Zhao Hui Group as at and for the six months ended 30 June 2015 for the purpose of derecognition of the Zhao Hui Group. Moreover, upon the Minority Disposals, the Company lost its controlling power on the Zhao Hui Group, the Board considered that the Company became a minority shareholder of the Zhao Hui Group. Therefore, the Zhao Hui Group has been derecognised as subsidiaries of the Group and had been recognised as available-for-sale investment from the date control was lost (i.e. 30 September 2015).

The financial impact of derecognition of the Zhao Hui Group is reference to the consolidated management accounts as at and for the six months ended 30 June 2015, information available to the Board up to the date of issuance of the consolidated financial statements for the year ended 31 December 2015. The derecognition of the Zhao Hui Group resulted in a gain on deemed disposal of approximately HK\$2,153,000 recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2015.

7. DISCONTINUED OPERATIONS (Continued)

Year ended 31 December 2015 (Continued)

The consolidated assets, liabilities and gain on deemed disposal of the Zhao Hui Group as at the date of deemed disposal are as follows:

	<i>HK\$'000</i>
Property, plant and equipment	53,067
Inventories	10,195
Trade receivables	8,722
Loans and interest receivables	12,180
Amount due from a non-controlling interest	3
Deposits, prepayments and other receivables	18,162
Cash and cash equivalents	20,475
Trade and other payables	(43,362)
Amounts due to non-controlling interests	(15,286)
Bank borrowing	(5,557)
Deferred tax liabilities	(349)
Non-controlling interests	(48,780)
	<hr/>
Net assets disposal of	9,470
	<hr/>
Goodwill	5,615
	<hr/>
Net assets disposal of and goodwill derecognised	15,085
	<hr/> <hr/>
Transfer to available-for-sale investment	18,073
Net assets disposed of and goodwill derecognised	(15,085)
Release of foreign currency exchange reserve	(835)
	<hr/>
Gain on deemed disposal	2,153
	<hr/> <hr/>

The Group derecognised the Zhao Hui Group as subsidiaries of the Group and recognised as available-for-sale investment as at 30 September 2015. On 30 September 2015, the Group entered into a sale and purchase agreement with FTEL to dispose of the Group's 55% interest in Zhao Hui at a consideration of AU\$3,227,400 (equivalent to approximately HK\$18,073,000), the net cash outflow arising on disposal of the Zhao Hui Group is approximately HK\$2,402,000.

7. DISCONTINUED OPERATIONS (Continued)

Year ended 31 December 2015 (Continued)

The results for the year from the discontinued operations (i.e. IT business and processing and sales of food products business) included in the consolidated statement of profit or loss and other comprehensive income are set out below. Since the Group could not obtain the financial information of Viplus since July 2015, for the purpose of preparing the consolidated financial statements of the Group for the year ended 31 December 2015, the Group has accounted for the results for discontinued operation of the Zhao Hui Group based on the consolidated management accounts of the Zhao Hui Group for the six months ended 30 June 2015.

	2015		
	IT business <i>HK\$'000</i>	Processing and sales of food products business <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	13,328	52,095	65,423
Cost of sales	(4,126)	(35,907)	(40,033)
Other income, other gains and losses	7	530	537
Selling and distribution costs	(2,474)	(2,468)	(4,942)
General and administrative expenses	(6,568)	(11,758)	(18,326)
Finance costs	—	(168)	(168)
Loss on disposal of the Sky Red Group	(794)	—	(794)
Gain on deemed disposal of the Zhao Hui Group	—	2,153	2,153
	<u>(627)</u>	<u>4,477</u>	<u>3,850</u>
Profit (loss) for the year from discontinued operations			
Attributable to:			
Owners of the Company	(627)	1,195	568
Non-controlling interests	—	3,282	3,282
	<u>(627)</u>	<u>4,477</u>	<u>3,850</u>
Profit (loss) for the year from discontinued operations include the following:			
Depreciation	(51)	(1,338)	(1,389)
Cash flow from discontinued operations			
Net cash inflows from operating activities	671	14,388	15,059
Net cash outflows from investing activities	(45)	(32,805)	(32,850)
Net cash inflow (outflow)	<u>626</u>	<u>(18,417)</u>	<u>(17,791)</u>

8. (LOSS) PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit for the year from continuing operations has been arrived at after charging (crediting):		
Employee benefits expense (excluding directors' emoluments)		
– Salaries and other benefits	10,100	2,305
– Contributions to retirement benefits schemes	329	161
– Equity-settled share-based payments	603	—
Directors' emoluments	<u>2,605</u>	<u>2,238</u>
Total staff costs	<u><u>13,637</u></u>	<u><u>4,704</u></u>
Cost of inventories recognised as an expense (included in cost of sales and services)	33,619	31,653
Auditors' remuneration	720	680
Amortisation of prepaid lease payments	21	23
Depreciation of property, plant and equipment	1,968	1,525
Equity-settled share-based payments granted to consultant	1,003	—
Net foreign exchange loss (gain)	5	(166)
Loss on disposal of property, plant and equipment	129	—
Minimum lease payments paid under operating leases in respect of land and buildings	<u>1,982</u>	<u>1,294</u>

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

(Loss) earnings

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) earnings for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	<u><u>(17,683)</u></u>	<u><u>6,168</u></u>

9. (LOSS) EARNINGS PER SHARE *(Continued)*

Number of shares

	2016 '000	2015 '000 (Restated)
Weighted average number of ordinary shares for the purposes of basic and diluted (loss) earnings per share	<u>587,233</u>	<u>369,256</u>

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the years ended 31 December 2016 and 2015 has been adjusted to reflect the effect of consolidation of shares and the bonus element of the open offer completed during the year.

From continuing operations

The calculation of the basic and diluted (loss) earnings per share from continuing operations attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company	(17,683)	6,168
<i>Less:</i> Profit for the year attributable to owners of the Company from discontinued operations	<u>—</u>	<u>(568)</u>
(Loss) earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share from continuing operations	<u>(17,683)</u>	<u>5,600</u>

The denominators used are the same as those detailed above for both basic and diluted (loss) earnings per share.

From discontinued operations

	2016	2015 (Restated)
Earnings per share:		
— Basic <i>(HK cents)</i>	—	0.15
— Diluted <i>(HK cents)</i>	<u>—</u>	<u>0.15</u>

9. (LOSS) EARNINGS PER SHARE *(Continued)*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
<i>Earnings:</i>		
Earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share from discontinued operations	—	568

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

The basic and diluted loss per share for the year ended 31 December 2016 are the same as there were no potential ordinary shares in issue for the year ended 31 December 2016.

The computation of diluted (loss) earnings per share for the year ended 31 December 2015 did not assume the exercise of potential ordinary shares granted under the Company's share options scheme because the exercise price of those options was higher than the average market price of share for 2015.

10. BIOLOGICAL ASSETS

Movements of the biological assets are summarised as follows:

	Breeder <i>HK\$'000</i>	Slaughter pigs <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
Balance at 1 January 2015	176	863	1,039
Increase due to purchases	353	448	801
Increase due to raising (feeding cost and others)	199	8,416	8,615
Decrease due to sales	(505)	(8,815)	(9,320)
Decrease due to death	—	(6)	(6)
Gain arising from changes in fair value less costs to sell	324	206	530
Effect of foreign currency exchange differences	(24)	(58)	(82)
Balance at 31 December 2015	523	1,054	1,577
Increase due to purchases	—	327	327
Increase due to raising (feeding cost and others)	254	2,923	3,177
Decrease due to sales	(766)	(4,280)	(5,046)
Decrease due to death	—	(3)	(3)
Effect of foreign currency exchange differences	(11)	(21)	(32)
Balance at 31 December 2016	—	—	—

11. TRADE RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables — agricultural and other business	9,429	2,477
Trade receivables — financial services business		
— Cash clients	2,548	—
— Margin clients	76,863	—
— Clearing house	6,216	—
	<u>95,056</u>	<u>2,477</u>
<i>Less:</i> allowance for doubtful debts	<u>(905)</u>	<u>—</u>
	<u><u>94,151</u></u>	<u><u>2,477</u></u>

(a) Agricultural and other business

The following is an analysis of trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	8,179	2,477
91 – 180 days	1,250	—
	<u>9,429</u>	<u>2,477</u>

The Group's trading terms with its customers from the agricultural business are mainly on credit. The credit period is generally for a period of 30 to 90 days for major customers. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

11. TRADE RECEIVABLES (Continued)

(b) Financial services business

The settlement terms of trade receivables arising from the ordinary course of financial services business of dealing in securities from cash clients and clearing house are two days after trade date.

The ageing analysis of the trade receivables arising from cash clients and clearing house which are past due but not impaired at the end of each of the reporting period, based on the trade date are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Neither past due nor impaired	7,588	—
Past due but not impaired:		
Less than 1 month	225	—
1 to 3 months	—	—
Over 3 months	46	—
	<u>7,859</u>	<u>—</u>

12. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Prepayments	2,319	5,740
Deposits and other receivables	12,348	6,775
	<u>14,667</u>	<u>12,515</u>
Current portion of prepaid lease payments	21	23
	<u>14,688</u>	<u>12,538</u>

13. LOANS AND INTEREST RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loans and interest receivables	<u>85,728</u>	<u>122,192</u>
Analysed as:		
Current	52,646	110,605
Non-current	<u>33,082</u>	<u>11,587</u>
	<u>85,728</u>	<u>122,192</u>

A maturity profile of the loans and interest receivables as at the end of the reporting period, based on the maturity date is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	12,911	59,127
91 – 180 days	31,926	10,058
Over 180 days	<u>40,891</u>	<u>53,007</u>
	<u>85,728</u>	<u>122,192</u>

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Held-for-trading investments		
Equity securities listed in Hong Kong	<u>150,725</u>	<u>90,428</u>

15. BANK AND OTHER BORROWINGS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank borrowing	470	—
Other borrowing	<u>25,000</u>	<u>—</u>
	<u>25,470</u>	<u>—</u>

16. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables		
— Agricultural and other business (<i>Note (i)</i>)	1,971	1,682
— Financial services business (<i>Note (ii)</i>)		
— Cash clients	5,964	—
— Margin clients	8,844	—
— Clearing house	25,243	—
Other payables and accruals	<u>9,805</u>	<u>8,050</u>
	<u><u>51,827</u></u>	<u><u>9,732</u></u>

Notes:

- (i) The following is an analysis of trade payables by age based on invoice date at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 – 90 days	<u><u>1,971</u></u>	<u><u>1,682</u></u>

- (ii) The settlement terms of trade payables arising from the ordinary course of financial services business of dealing in securities are two days after trade date.

17. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Authorised and contracted for:		
Acquisition of available-for-sale investments	<u><u>6,016</u></u>	<u><u>11,265</u></u>

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is the extract of the independent auditors' report from the external auditors of the Company:

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for qualified opinion

During the year ended 31 December 2015, the directors of the Company considered that the Group had lost its control over Zhao Hui Holdings Limited (“Zhao Hui”) and its subsidiaries (collectively referred to as the “Zhao Hui Group”) on 30 September 2015 and ceased the milk formula processing, production and related business thereafter. In this regard, the results of the Zhao Hui Group were disclosed as a discontinued operation in the Group's consolidated financial statements for the year ended 31 December 2015. The Group subsequently disposed of its 55% interest in Zhao Hui on 10 December 2015.

As disclosed in note 9 to the consolidated financial statements, the Group had not been able to obtain access to the accounting records of Viplus Dairy Pty Limited (“Viplus”), a significant operating subsidiary of the Zhao Hui Group, as a result of the dispute with the existing shareholder of Australia Dairy Group Limited. The Group had accounted for the gain on deemed disposal of the Zhao Hui Group and the results and cash flows of the discontinued operation based on the unaudited financial information of the Zhao Hui Group for the period from 1 January 2015 to 30 June 2015. Consequently, in the absence of any alternative procedures to be carried out in respect of the financial information of the Zhao Hui Group, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the profit from discontinued operation of approximately HK\$4,477,000, which included the operating results of the Zhao Hui Group for the year ended 31 December 2015 of approximately HK\$2,324,000 and the gain on deemed disposal of the Zhao Hui Group of approximately HK\$2,153,000, included in “Discontinued Operations” in the Group's consolidated statement of profit or loss and other comprehensive income and the related notes disclosures for the year ended 31 December 2015 were fairly stated and we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments that might had been found to be necessary in respect of the abovementioned financial information would had a consequential effect on the Group's profit and cash flows for the year ended 31 December 2015 and related disclosures in the consolidated financial statements for the year ended 31 December 2015.

In addition, the Group should cease to consolidate the results of Zhao Hui Group from the date control was lost (i.e. 30 September 2015) and derecognise the consolidated assets and liabilities of the Zhao Hui Group from the consolidated financial statements on the date control was lost according to Hong Kong Financial Reporting Standard 10 “Consolidated Financial Statements” (“HKFRS 10”). The exclusion of the results and cash flows of the Zhao Hui Group for the period from 1 July 2015 to 30 September 2015 from the consolidated financial statements was a departure from the requirements of HKFRS 10.

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2015 was modified accordingly. Our auditors’ report on the current year’s consolidated financial statements is also modified because of the effect of these matters on the comparability of the current year’s figures and the corresponding figures.

DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: nil).

CHANGE OF COMPANY NAME

To provide the Company a better identification and to strengthen the Company’s corporate image, the Company has changed the English name of the Company from “China Demeter Investments Limited” to “China Demeter Financial Investments Limited” and its secondary name in Chinese from “中國神農投資有限公司” to “國農金融投資有限公司”. The Company is of the view that such change in company name will better reflect and emphasis the extension of the Group’s business focus to financial services business.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

China Demeter Financial Investments Limited (formerly known as China Demeter Investments Limited) (the “Company”) and its subsidiaries (the “Group”) recorded a loss attributable to owners of the Company of approximately HK\$17,683,000 for the year ended 31 December 2016 (the “Year”) (31 December 2015: a profit attributable to owners of the Company of approximately HK\$6,168,000). The loss attributable to owners of the Company was mainly attributable to the decrease of approximately HK\$3,398,000 in changes in fair value of financial assets through profit or loss to approximately HK\$218,000 for the Year (31 December 2015: approximately HK\$3,616,000). During the year, loan interest income arising from the Group’s money lending business decreased by approximately HK\$7,106,000 to approximately HK\$6,261,000 (31 December 2015: approximately HK\$13,367,000). During the Year, other income and other gains and losses decreased by approximately HK\$6,680,000 to approximately HK\$4,647,000 (31 December 2015: approximately HK\$11,327,000). The Group’s share of loss of a joint venture increased by approximately HK\$11,179,000 to approximately HK\$11,897,000 (31 December 2015: approximately HK\$718,000).

The revenue of the Group from the continuing operations for the Year increased by 6.9% to approximately HK\$61,703,000 (31 December 2015: approximately HK\$57,721,000), while gross profit from the continuing operations for the Year was approximately HK\$22,754,000 (31 December 2015: approximately HK\$21,766,000). The revenue from the continuing operations for the Year comprised the sales of feedstock products and animal husbandry products amounting to approximately HK\$40,567,000 (31 December 2015: approximately HK\$39,962,000), dividend income from listed equity investments amounting to approximately HK\$442,000 (31 December 2015: Nil), loan interest income amounting to approximately HK\$6,261,000 (31 December 2015: approximately HK\$13,367,000), provision of financial services amounting to approximately HK\$7,888,000 (31 December 2015: Nil) and provision of food and beverage services amounting to approximately HK\$6,545,000 (31 December 2015: approximately HK\$4,392,000).

General and administrative expenses from the continuing operations for the Year increased to approximately HK\$26,452,000 (31 December 2015: approximately HK\$19,736,000), mainly due to the recognition of the equity-settled share-based payment expense of approximately HK\$2,136,000 during the Year and the fact that operating expenses of Profit Network and its wholly owned subsidiary (“Profit Network Group”) were consolidated to the Group’s administrative expenses upon the completion of acquisition of Profit Network Group by the Group.

Following the completion of disposal of Sky Red Group and Zhao Hui Group in 2015, the Group did not record revenue (31 December 2015: approximately HK\$65,423,000) and profit (31 December 2015: approximately HK\$3,850,000) from the discontinued operations for the Year. For the year ended 31 December 2015, revenue of the Group from the discontinued operations comprised provision of professional IT contracts and maintenance services amounting to approximately HK\$13,328,000 and processing and sales of food products amounting to approximately HK\$52,095,000.

For the year ended 31 December 2015, general and administrative expenses from the discontinued operations amounted to approximately HK\$18,326,000. For the Year, the Group did not record general and administrative expenses from the discontinued operations.

AGRICULTURE BUSINESS

In 2016, prices of major livestock and poultry products increased significantly. The live swine breeding industry continued to pick up with increasing live swine prices, while the feedstock prices is decreasing. Under a backdrop of increasingly stringent environmental policies, it is expected that the recovery of breeder and live swine supply will be slow. With the continued improvement of production efficiency and integration in the feedstock industry, the People’s Republic of China (the “PRC”) has remained to be the largest feedstock production country. From a period of accelerated growth, the feedstock industry has entered a stage of structural growth, transforming from volume increase to quality improvement.

Revenue of the feedstock product and animal husbandry business for the Year was approximately HK\$40,567,000 (31 December 2015: approximately HK\$39,962,000), representing an increase of approximately HK\$605,000 as compared to the same period last year, which was mainly attributable to the steady pickup in the swine price in 2016 and the maintenance of steady sales level for feedstock products.

In view of the increasingly stringent environmental protection laws in the PRC, it is expected that a relatively large scale capital investment would be required to upgrade the infrastructure and facilities of the live swine breeding business, so as to maintain the Company's live swine breeding and sales business at the current level and its competitiveness. If the necessary capital investment was not provided, the live swine breeding business would not be able to keep up with its current business scale. In addition, certain buildings relating to the live swine breeding business was physically damaged during the year. The management estimated that the upgrade of equipment and facilities would take about six months, during which the live swine breeding business might have to be suspended and approvals had to be obtained from the relevant authorities. If such upgrade was carried out, the daily operation of the live swine breeding business would be affected, and as such the revenue and profit generated from the live swine breeding business in 2017 would possibly be much lower than those of 2016.

Therefore, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, as vendor entered into an equity transfer agreement with He Xiongfeng, an independent third party, as purchaser to dispose ("Disposal") 100% of the issued shares of 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC, in which is principally engaged in breeding and sales of live swine in the PRC. The Disposal constituted a major transaction of the Company pursuant to the GEM Listing Rules, and its resolution was passed by the Shareholders of the Company at the Special General Meeting ("SGM") on 8 March 2017. The Disposal has been completed in March 2017, please refer to the announcement dated 20 March 2017 for details.

The Disposal will allow the Group to focus on its remaining income sources, and the proceeds from the Disposal will be used for general working capital of the Group.

MONEY LENDING BUSINESS

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong, in which a person or company carrying on business as a money lender in Hong Kong must obtain a money lender's licence.

The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. Based on the list of existing money lenders licensees as maintained by the Registrar of Companies in Hong Kong, there were more than 1,800 licensed money lenders (including applications for renewal in progress) in Hong Kong as at 31 December 2016.

The scope of money lending services provided by licensed money lenders generally includes personal loans, business loans and mortgage loans. Within a loan category, the interest rates, the length of term of loan and choice of instalments vary with each licensed money lender. In addition to competition with other licensed money lenders, licensed money lenders also compete with authorised institutions such as banks, restricted licensed banks and deposit-taking companies in the provision of money lending services, although licensed money lenders may offer an advantage in providing loans with simpler approval procedures and greater flexibility.

Therefore, in view of the competitive landscape of the money lending business in Hong Kong, to reach potential borrowers who might compare lending services and products across various options, the brand exposure and target market are important to a licensed money lender.

The Group's money lending business does not generally target the general public. To differentiate from other licensed money lenders in the market, the target customers of the money lending business of the Group are mainly as follows:

- (i) as regards personal loans, the Group targets well-heeled and reputational customers, the occupations of which ranged from executives, businessmen to professionals; and
- (ii) as regards business loans, the Group targets well-established companies with business operations in Hong Kong and/or the PRC.

For the year ended 31 December 2016, the Group mainly provided fixed loans to individuals and companies where interests are payable by tailor-made schedule at fixed interest rate. The Group's money lending business will not usually grant loans to connected persons of the Company and for the year ended 31 December 2016, the Group has not granted any loan to the connected persons of the Company.

As at 31 December 2016, personal loans represented approximately 79% and business loans represented approximately 21% respectively in value of the Group's total active and outstanding loan portfolio. All of the customers in the Group's money lending business are Hong Kong or PRC residents or companies with business operations in Hong Kong and the PRC and come from referral from the business partners of the Group.

The majority of our loans are short-term loans repayable within a year. As at 31 December 2016, 61% of outstanding loan balances were short-term loans repayable within one year and 39% of outstanding loan balances were long-term loans repayable beyond one year.

As at 31 December 2016, the effective interest rate of the active and outstanding loans in the loan portfolio of the Group's money lending business ranged from approximately 4% to 10% per annum. Most of the loans granted by the money lending business of the Group are unsecured loans. To justify the higher credit risk, the Group typically charge a higher interest rate. Unsecured loans represented 90% of the Group's total active and outstanding loan portfolio as at 31 December 2016.

Given that the majority of the loans granted by the Group's money lending business are short-term loans provided to our customers who, as mentioned above, were well-heeled and reputational individuals and well-established companies who/which need short-term financing for personal/business needs, the collateral requirement was not viable as it was inconvenient to provide collaterals for short-term loans. Moreover, the creation and release of collaterals for short-term loans will create unnecessary administrative cost to the Group. In view of the higher underlying credit risk and lack of collateral, the Group could typically charge higher interest rates. Also, the Group usually required customers to provide signed and post-dated bank cheques with payments in accordance with tailor made repayment schedules.

For certain corporate customers, the Group has requested personal/corporate guarantees in order to enhance the recoverability of the loans. In determining whether a personal/corporate guarantee is required to add further security for the loan, the Group will consider, on a case by case basis, the reason for the borrowing, the credit history of the borrower with the Group, the borrower's financial background and the Group's credit exposure for the loan. As at 31 December 2016, loans which are backed by personal/corporate guarantees/mortgages in respect of a property represented approximately 21% in number, and approximately 26% in value of our Group's total active and outstanding loan portfolio.

No provision for the bad debts on loan receivables was made and there are no defaults on the customers of the Group's money lending business for the Year. All principals interests are duly received.

CREDIT POLICY AND LOAN APPROVAL PROCESS

The board of Directors ("Board") has set up a credit committee ("Credit Committee") and adopted a credit policy for the credit approval procedures. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members.

The primary duties of the Credit Committee are, among other things, to approve and oversee the credit policy of the Group's money lending business and to monitor our loan portfolio. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment. Given the fast changing environment, the Board and the Credit Committee endeavor to review the credit policy at least once a year.

Loan applications are generally received by the Credit Committee members, who are responsible for verifying the loan application documents and processing the loan applications. Credit Committee members are the main contact point with the customers, and are responsible for collecting the customers' information and handling loan application documents throughout the loan application process.

After receipt of the loan applications, the Credit Committee will perform the credit assessment procedures to assess the repayment ability of customers. The Group has set out strict credit check procedures to verify the credit worthiness of the customers. As each loan is different and unique, the Group does not have any specific quantitative conditions or criteria imposed for approving its loan. Each loan is decided on a case-by-case basis.

The following is a summary of the general guidelines of assessing the loan applications by the Credit Committee:

- (1) Identity proof — such as identity card and passport (for individuals) and business registration certificate, certificate of incorporation and the constitutional documents (for corporate entities) must be verified;
- (2) Address proof — such as utility bills, bank/credit card statements or formal correspondence issued by a government or statutory body is required to be produced;
- (3) Repayment ability assessment — to assess and justify the repayment ability of the customer, criteria such as availability of guarantor, the background of the customer, and where applicable, the past payment record and any other relevant information are to be considered. The Credit Committee may request further information from the customer including but not limited to the followings: tax demand note, tax return, bank book record, bank statement, payroll slip, MPF statement, employer's letter, employment contract, rental income receipt, tenancy agreement, financial statements, and auditor's report etc.; and
- (4) Legal search — a legal search will be conducted on the customers (and as the case may be, the guarantors) to ascertain if the potential borrowers have any prior legal cases in the past, which may cast doubt on credit worthiness and repayment ability.

As with the credit assessment of borrowers, guarantors who provide personal/corporate guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures.

The Credit Committee members will also be responsible for determining the interest rates charged to the customers, having taken into consideration factors such as the credit risks of the customers, their recoverability and the prevalent market interest rates. Typically, higher interest rates will be charged for unsecured loans to justify the higher credit risk.

After credit assessment and review of the loan applications by the Credit Committee, loan documents will be prepared and the loans will be recommended to the directors of the wholly-owned subsidiaries of the Company which operates the money lending business for final approval.

If the applicable percentage ratios as defined under the GEM Listing Rules in respect of the making of the loan under the loan application would constitute a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules, the loan application will be forwarded to the

Board and a meeting of the Board will be held to consider and approve the loan application. It is the Group's policy not to make any advance to a borrower if such a proposed loan transaction will constitute a major transaction or above under the GEM Listing Rules.

During the year, the Group used its surplus liquidity to fund the money lending business, loan interest income from this business segment amounted to approximately HK\$6,261,000 during the year (2015: HK\$13,367,000).

FINANCIAL SERVICES BUSINESS

To further develop its financial services business, the Group completed the acquisition of 7% of the issued share capital of Profit Network Asia Inc. ("Profit Network") at a consideration of HK\$5,600,000 in January 2016, and completed the acquisition of 44% of the issued share capital of Profit Network at a consideration of HK\$35,200,000 on 2 September 2016, respectively. Following the completion of these transactions, the Group held 51% interest in Profit Network. Profit Network and its subsidiary has become non-wholly owned subsidiaries of the Group. Profit Network Group is principally engaged in advising on securities and dealing in securities business. The subsidiary of Profit Network is a licensed corporation in Hong Kong to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO). The Board believes that the acquisition serves to diversify the Group's business through leveraging on its own resources and combining with the operational model and management experiences of Profit Network Group in particular in advising on securities. The acquisition has timely expanded the Group's scope of operation and investments. During the period from 2 September 2016 to 31 December 2016, the revenue from external customers of Profit Network Group was approximately HK\$7,888,000 (31 December 2015: Nil).

On 24 February 2017, the Company and Trinity Worldwide Capital Holding Limited ("Vendor"), a company incorporated in the British Virgin Islands with limited liability, entered into a sales and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Company has conditionally agreed to acquire, the remaining 49% equity interest in Profit Network, at a total consideration of HK\$39,200,000. The acquisition will provide a prime opportunity for the Group to continue to develop its newly acquired financial services business segment which is expected to give a positive impact to the operations, financial results and profitability of the Group. The acquisition is subject to a number of conditions precedent which have not been completed as at the date of approval of this announcement.

SECURITIES INVESTMENT BUSINESS

The Group's diversified securities investment portfolios cover both listed and non-listed companies, in order to diversify its investment portfolios and increase returns to shareholders. During the Year, the Group recorded gains from the changes in fair value of financial assets through profit or loss of approximately HK\$218,000 (31 December 2015: approximately HK\$3,616,000). The decrease was mainly due to the recent fluctuation in Hong Kong securities market and the slowdown of the global economic growth.

The financial assets at fair value through profit or loss held by the Group were all the shares of listed companies in Hong Kong. Of these assets, the investment value of the shares of five listed companies as at 31 December 2016 accounted for approximately 81.5% of the total market value of all the financial assets at fair value through profit or loss held by the Group as at 31 December 2016. These investments included (i) 184,252,768 shares of Convoy Global Holdings Limited (“Convoy Global”); (ii) 41,200,000 shares of China e-Wallet Payment Group Limited (“China e-Wallet”) (formerly known as “RCG Holdings Limited”); (iii) 35,865,000 shares of AMCO United Holding Limited (“AMCO United Holding”); (iv) 16,360,000 shares of Town Health International Medical Group Limited (“THIM”); and (v) 10,798,400 shares of Hong Kong Education (Int’l) Investments Limited (“HK Education”). The respective shares of Convoy Global, China e-Wallet, AMCO United Holding, THIM and HK Education are listed on the main board of the Stock Exchange. The Group’s investments in Convoy Global, China e-Wallet, AMCO United Holding, THIM and HK Education were collectively known as “Significant Investment”.

Details on Significant Investment are as follows:

Investee Companies	For the year ended 31 December 2016		At 31 December 2016		
	Fair value gains (losses) HK\$'000	Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss (Note 1)	Market value HK\$'000	Approximate percentage of financial assets at fair value through profit or loss (Note 2)	Approximate percentage to the net assets (Note 3)
Convoy Global	(23,130)	(10,610.1%)	42,562	28.2%	10.7%
China e-Wallet	15,656	7,181.7%	26,780	17.8%	6.7%
AMCO United Holding	3,227	1,480.3%	21,160	14.0%	5.3%
THIM	34	15.6%	20,450	13.6%	5.1%
HK Education	219	100.5%	11,878	7.9%	3.0%

Note 1: Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss is calculated by dividing fair value gains (losses) from the investment by gains (losses) from the changes in fair value of financial assets through profit or loss during the corresponding periods.

Note 2: Approximate percentage of financial assets at fair value through profit or loss is calculated by dividing market value of the investment by total carrying value of the financial assets at fair value through profit or loss held by the Group as at 31 December 2016.

Note 3: Approximate percentage to the net assets is calculated by dividing market value of the investment by the net assets of the Group as at 31 December 2016.

Convoy Global is principally engaged in the independent financial advisory business, money lending business, proprietary investment business and asset management business. China e-Wallet is principally engaged in the provision of biometric identification products, radio frequency identification products and solution services. AMCO United Holding is principally engaged in the manufacture and sale of medical devices products, plastic moulding products, provision of public relations services and human resources management services. THIM is principally engaged in healthcare business investments, and provision and management of healthcare and related services. HK Education is principally engaged in the provision of private education services, securities investment, properties investment and money lending business.

Due to the decelerating economic activities around the world and continued slowdown in growth of the economy, commodity prices were on a downward track and global trade activities offered no positive support to the Hong Kong stock market, leading to changes in fair value of financial assets at fair value through profit or loss. However, the Group still recorded gain in fair value of financial assets at fair value through profit or loss for the Year. The Board expects that performance in the Significant Investment will still be able to contribute positive returns for the Group in the near future. The Board will continue to closely monitor the performance of the securities in order to mitigate potential financial risks.

FOOD AND BEVERAGE BUSINESS

During the Year, the Group recorded income of approximately HK\$6,545,000 (31 December 2015: approximately HK\$4,392,000) in the provision of food and beverage service. During the Year, the food and beverage business of the Group recorded segment loss due to the rising costs of the food and salary. The Group will continue to closely monitor the market trend and adjust its business strategy and control expenses accordingly.

INVESTMENT IN A JOINT VENTURE

The joint venture is currently engaged in investment in the business of operating restaurants, cafes and takeaway outlets as well as providing food and beverage in the Southeast Asia region. During the Year, the Group recorded the share of loss of a joint venture of approximately HK\$11,897,000 (31 December 2015: approximately HK\$718,000). The loss was mainly attributable to a drop in consumption due to a downturn in the macro economy and the competition in the market, leading to a decrease in the revenue of the food and beverage business. The Group will closely monitor the development of the joint venture and adjust its business strategy according to the market conditions to cater to market needs.

PROSPECT

Looking ahead, the Group will continue to proactively explore new development opportunities to further diversify the Company's business portfolio. Leveraging on Hong Kong's geographic advantage as a major international financial center, and with the official launch of Shenzhen-Hong Kong Stock Connect at the end of 2016, the Group expects that the financial services business will become one of the major growth drivers. In order to consolidate its position in the financial services industry, the Group completed the acquisition of equity interests in Profit Network Group during the Year, which will enable the Group to achieve substantial development in advising on securities through leveraging on its own resources and capitalising on Profit Network Group's professional operation model and management experiences, proactively expanding the Group's operation and investment scope. The Group will continue to allocate resources to the financial services business, and believes that such business will help to broaden the Group's income sources. In addition, the Directors remain optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

MATERIAL ACQUISITION AND DISPOSAL

In April 2016, Golden Harvest Holdings Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Trinity Worldwide Capital Holding Limited ("Vendor") to acquire ("Acquisition") 44% of the issued shares of Profit Network, in which its subsidiary is principally engaged in advising and dealing in securities and a licensed corporation to carry out on regulated activities under the SFO, at a HK\$35,200,000. Such acquisition was further to an acquisition made by the Purchaser and the Vendor on 6 January 2016 in which the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser purchased and the Vendor sold 7% of the issued share capital of Profit Network at a consideration of HK\$5,600,000 in cash. The completion of the Acquisition took place on 2 September 2016 and each of Profit Network and its subsidiary became non-wholly owned subsidiaries of the Company.

In February 2017, the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser conditionally agree to purchase and the Vendor conditionally agree to sell the remaining 49% of the issued share capital of Profit Network at a consideration of HK\$39,200,000 in cash. Up to the date of this announcement, the acquisition is subject to certain conditions precedent and not yet completed. For details, please refer the announcement dated 24 February 2017.

In January 2017, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, as vendor entered into an equity transfer agreement with He Xiongfeng, an independent third party, as purchaser to dispose ("Disposal") 100% of the issued shares of 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC, in which is principally engaged in breeding and sales of live swine in the PRC, which includes slaughter pigs and breeders, at a RMB1,100,000. The Disposal have been completed in March 2017.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the year ended 31 December 2016 and up to the date of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2016, the Group had cash and cash equivalents of approximately HK\$73,971,000 (2015: HK\$69,562,000) and net current assets of approximately HK\$307,823,000 (2015: HK\$277,406,000). Current ratio (defined as total current assets divided by total current liabilities) was 3.88 times (2015: 27.31 times).

As at 31 December 2016, the Group have bank and other borrowings of approximately HK\$25,470,000 comprising other borrowing of HK\$25,000,000 and bank borrowing of HK\$470,000. The other borrowing is secured by corporate guarantee executed by the Company. The bank borrowing is secured by personal guarantee executed by the director of a subsidiary of the Company. The bank and other borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

We fund our operations principally from cash generated from our operations, other debt instruments and equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures and any unexpected cash requirements. During the Year, our loss before interest, taxes, depreciation and amortisation amounted to HK\$11,859,000.

The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 31 December 2016 was 21% (2015: 3%).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2016, the Group had equity attributable to owners of the Company of approximately HK\$361,420,000 (2015: HK\$342,054,000).

Capital reorganisation

Pursuant to the special general meeting, the special resolution in relation to the capital reorganisation comprising the share consolidation, share reduction and the share sub-division was duly passed by way of poll and took effect on 4 February 2016. After the capital reorganisation,

- (1) Every 5 issued and unissued Existing Shares of par value of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated Share of par value of HK\$0.05 each and where applicable, the total number of consolidated Shares in the issued share capital of the Company immediately following the share consolidation were rounded down to a whole number by cancelling any fraction in the issued share capital of the Company which may arise from the Share Consolidation.

- (2) The capital reduction was effected immediately upon the share consolidation becoming effective, pursuant to which the par value of each of the then issued consolidated shares were reduced from HK\$0.05 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the then issued consolidated shares, the credits arising from (a) such reduction of the paid up capital; and (b) the cancellation of any fractional consolidated share in the issued share capital of the Company which may arise from the share consolidation, which together, amount to approximately HK\$15,782,000, will be credited to the contributed surplus account of the Company within the meaning of the Companies Act.
- (3) Immediately following the capital reduction, each of the then authorised but unissued consolidated shares of par value of HK\$0.05 each were sub-divided into 5 new shares of par value of HK\$0.01 each.

Completion of Open Offer

On 23 February 2016, the Company announced its proposal to raise not less than approximately HK\$19,700,000 and not more than approximately HK\$20,900,000 before expenses by issuing not less than 197,265,375 offer shares and not more than 209,355,375 offer shares at HK\$0.10 per offer share on the basis of one offer share for every two existing shares in issue held on 17 March 2016 (“Open Offer”).

The Open Offer was fully-underwritten by Nuada Limited (the “Underwriter”) pursuant to the underwriting agreement dated 23 February 2016 entered into by and between the Company and Underwriter and was completed on 14 April 2016 with a total of 197,265,375 new shares with an aggregate nominal value of approximately HK\$2,000,000 issued on the same date, on the basis of 394,530,750 shares in issue on 17 March 2016, being the record date of the Open Offer. The Company raised approximately HK\$19,700,000 before expenses from the Open Offer. The net proceeds, after deducting relevant expenses payable in relation to the Open Offer, amounted to approximately HK\$17,500,000.

The Board intends to apply the net proceeds from the Open Offer as to approximately HK\$10,000,000 for investment of certain new business projects including food and beverage business and/or processing and sales of food products business and the remaining of approximately HK\$7,500,000 will be used as general working capital of the Group.

Details of the Open Offer are set out in the Company’s announcements dated 23 February 2016, 9 March 2016 and 13 April 2016 and the Company’s prospectus dated 18 March 2016. The Open Offer was completed on 14 April 2016. In the event of any change in use of such proceeds, the Company will make an announcement in accordance with the requirements of the GEM Listing Rules.

Issue of shares under the general mandate

On 22 November 2016, the Company and Fordjoy Securities and Futures Limited (“Placing Agent”) entered into a placing agreement pursuant to which the Placing Agent has agreed to place (“Placing”), on a best endeavour basis, up to 118,340,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a placing price of HK\$0.10 per placing share. As disclosed in the announcement of the Company dated 2 December 2016, completion of the Placing took place on 2 December 2016 in accordance with the terms of the Placing Agreement. The Company received net proceeds of approximately HK\$11,300,000, which will be used as to develop the financial services business of the Group.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Save as disclosed in note 17, the Group did not have any material capital commitment.

As at 31 December 2016, the Group did not have any contingent liabilities.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 December 2016, most of the Group’s business transactions, assets and liabilities were principally denominated in Hong Kong dollars (“HK\$”), Renminbi (“RMB”), Singapore dollars (“S\$”), United States dollars (“US\$”) and HK\$ is the Group’s presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB, S\$ and US\$ against HK\$. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2016, the Group had approximately 62 employees in Hong Kong and the PRC (excluding directors of the Company) (2015: 43). The Group’s remuneration policy is to provide competitive level of remuneration to employees and directors based on their performance, qualification, experience and the prevailing industry practice.

Apart from regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group’s performance as well as individual’s performance.

We aim to provide employees with resources and an environment that encourages them to develop careers with us. We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge.

Pursuant to the share option scheme adopted by the Company on 30 September 2013 (the “Share Option Scheme”), the Board may grant options to eligible persons, including employees and directors, to subscribe for shares of the Company. During the year, the Company granted 59,000,000 share options to directors, employees and other eligible persons on 10 June 2016.

CHARGES OF GROUP ASSETS

As at 31 December 2016, the Group had outstanding borrowings of HK\$25,470,000 comprising other borrowing HK\$25,000,000, which is secured by corporate guarantee executed by the Company and bank borrowing HK\$470,000, which is secured by personal guarantee executed by the director of a subsidiary of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders.

The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the “CG Code”).

The Company has in practice complied with the new requirements under the amendments to the CG Code relating to risk management and internal control. The Board has adopted new terms of reference for the audit committee of the Company on 1 January 2016 to comply with the new requirements under the amendments to C.3.3 of the CG Code. In addition, the Company did not comply with Code Provision A.2.1 in relation to the role separation of chairman and chief executive office. Mr. Zhou Jing (“Mr. Zhou”) was the chairman of the Board and the chief executive of the Company from 1 January 2016 to 15 November 2016.

The deviation from the Code Provisions will be explained below.

The Code Provisions A.2.1 requires the position of the chairman and the chief executive officer be held separately by two individuals to ensure their independence, separate accountability and responsibilities.

The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer (“CEO”) is responsible for the day-to-day management of the Group’s business and operations.

Mr. Zhou assumes the role of both the chairman of the Board and the CEO of the Company before 15 November 2016. The Board believes that vesting both the roles of chairman and CEO in the same person has the benefit of ensuring consistent leadership within Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for that arrangement was not impaired and this structure will enable the Company to make and implement decisions.

In order to enhance the Company's corporate governance practices and enable the Company to comply with the code provision A.2.1 of the CG Code, Mr. Zhou ceased to be the CEO but remain as an executive Director and the chairman of the Board when Mr. Ng Man Chun Paul had been appointed as an executive Director and the CEO of the Company since 15 November 2016. Save as disclosed above, the Company has complied with all the code provisions of the CG Code during the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Lee Kin Fai, an independent non-executive Director, is an executive Director of GET Holdings Limited (Stock Code: 8100) and Mr. Hung Kenneth, an independent non-executive Director, is an executive Director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and an executive Director of DX.com Holdings Limited (Stock Code: 8086), each of which is a company listed on GEM whose principal businesses include money lending business in Hong Kong, which may compete with the Group's money lending business.

Save as disclosed above, none of the Directors nor their respective associates had any business which competes or may compete with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year ended 31 December 2016.

AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely, Mr. Lee Kin Fai (chairman of the Committee), Ms. Cheng Lo Yee and Mr. Hung Kenneth with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules.

The Group's audited consolidated results for the year ended 31 December 2016 have been reviewed by the audit committee of the Board.

On behalf of the Board
China Demeter Financial Investments Limited
Zhou Jing
Chairman

Hong Kong, 23 March 2017

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Zhou Jing, Mr. Ng Man Chun Paul, Mr. Lam Chun Kei and Mr. Ng Ting Ho; and three independent non-executive Directors, namely Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company's website at www.chinademeter.com.