



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 2017

CHARACTERISTICS OF 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 (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 2017 together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

| | Notes | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
|---|-------|------------------------|--------------------------------|
| Continuing operations | | | |
| Revenue | 4 | 53,393 | 37,739 |
| Cost of sales and services | | <u>(31,251)</u> | <u>(21,672)</u> |
| Gross profit | | 22,142 | 16,067 |
| Other income, other gains and losses | 4 | 26,361 | 4,647 |
| Selling and distribution costs | | (259) | (169) |
| General and administrative expenses | | (37,220) | (25,594) |
| Fair value (loss) gain on financial assets through profit or loss | | (87,506) | 218 |
| Impairment loss of available-for-sale investments | | (6,680) | (1,320) |
| Impairment loss of goodwill | | (13,844) | – |
| Share of loss of a joint venture | | (759) | (11,897) |
| Finance costs | 5 | <u>(1,104)</u> | <u>(870)</u> |
| Loss before tax | | (98,869) | (18,918) |
| Income tax credit | 6 | <u>40</u> | <u>361</u> |
| Loss for the year from continuing operations | 8 | <u>(98,829)</u> | <u>(18,557)</u> |
| Discontinued operations | | | |
| Profit for the year from discontinued operations | 7 | <u>1,050</u> | <u>4,200</u> |
| Loss for the year | | <u><u>(97,779)</u></u> | <u><u>(14,357)</u></u> |
| Other comprehensive income (expense) | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating foreign operations | | 2,107 | (1,753) |
| Share of other comprehensive income of a joint venture | | 225 | 277 |
| Reclassification adjustments relating to foreign operations disposed of during the year | | (1,830) | – |
| Change in fair value of available-for-sale investment | | <u>–</u> | <u>(112)</u> |
| Other comprehensive income (expense) for the year | | <u>502</u> | <u>(1,588)</u> |
| Total comprehensive expense for the year | | <u><u>(97,277)</u></u> | <u><u>(15,945)</u></u> |

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

For the year ended 31 December 2017

| | <i>Notes</i> | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
|--|--------------|--------------------------------|--------------------------------|
| (Loss) profit for the year attributable to owners of the Company: | | | |
| – from continuing operations | | (99,021) | (19,640) |
| – from discontinued operations | | 534 | 1,957 |
| | | <u>(98,487)</u> | <u>(17,683)</u> |
| Profit for the year attributable to non-controlling interests: | | | |
| – from continuing operations | | 192 | 1,083 |
| – from discontinued operations | | 516 | 2,243 |
| | | <u>708</u> | <u>3,326</u> |
| | | <u>(97,779)</u> | <u>(14,357)</u> |
| Total comprehensive (expense) income attributable to: | | | |
| – Owners of the Company | | (98,135) | (18,415) |
| – Non-controlling interests | | 858 | 2,470 |
| | | <u>(97,277)</u> | <u>(15,945)</u> |
| Loss per share | | | |
| | <i>9</i> | | |
| – for continuing and discontinued operations | | | |
| Basic (<i>HK cents</i>) | | <u>(11.17)</u> | <u>(3.01)</u> |
| Diluted (<i>HK cents</i>) | | <u>(11.17)</u> | <u>(3.01)</u> |
| – for continuing operations | | | |
| Basic (<i>HK cents</i>) | | <u>(11.23)</u> | <u>(3.34)</u> |
| Diluted (<i>HK cents</i>) | | <u>(11.23)</u> | <u>(3.34)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

| | <i>Notes</i> | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 7,334 | 6,956 |
| Prepaid lease payments | | 911 | 887 |
| Goodwill | | – | 13,844 |
| Intangible asset | | 500 | 500 |
| Investment in a joint venture | | 3,574 | 2,432 |
| Loans and interest receivables | <i>12</i> | 11,939 | 33,082 |
| Available-for-sale investments | | 25,947 | 33,616 |
| Other assets | | 12,412 | 230 |
| Deferred tax assets | | 88 | 11 |
| | | <hr/> 62,705 <hr/> | <hr/> 91,558 <hr/> |
| Current assets | | | |
| Inventories | | 2,343 | 1,696 |
| Trade receivables | <i>10</i> | 22,457 | 94,151 |
| Loans and interest receivables | <i>12</i> | 85,041 | 52,646 |
| Deposits, prepayments and other receivables | <i>11</i> | 15,716 | 14,688 |
| Financial assets at fair value through profit or loss | <i>13</i> | 14,983 | 150,725 |
| Tax recoverable | | 57 | – |
| Trust bank accounts | | 28,954 | 26,998 |
| Cash and cash equivalents | | 94,293 | 73,971 |
| | | <hr/> 263,844 <hr/> | <hr/> 414,875 <hr/> |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 37,936 | 51,827 |
| Amount due to a non-controlling interest | | – | 29,400 |
| Derivative financial instruments | | – | 6 |
| Bank and other borrowings | <i>14</i> | – | 25,470 |
| Current tax liabilities | | 10 | 349 |
| | | <hr/> 37,946 <hr/> | <hr/> 107,052 <hr/> |
| Net current assets | | <hr/> 225,898 <hr/> | <hr/> 307,823 <hr/> |
| Net assets | | <hr/> 288,603 <hr/> | <hr/> 399,381 <hr/> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

| | <i>Notes</i> | 2017 HK\$'000 | 2016 <i>HK\$'000</i> |
|--|--------------|--------------------------------|-------------------------|
| Capital and reserves | | | |
| Share capital | | 9,936 | 7,691 |
| Reserves | | 267,799 | 353,729 |
| | | <hr/> | <hr/> |
| Equity attributable to owners of the Company | | 277,735 | 361,420 |
| Non-controlling interests | | 10,868 | 37,961 |
| | | <hr/> | <hr/> |
| Total equity | | 288,603 | 399,381 |
| | | <hr/> <hr/> | <hr/> <hr/> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

| | 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 | Retained profits (Accumulated losses) HK\$'000 | Sub-total HK\$'000 | Attributable to non-controlling interests HK\$'000 | |
| Balance at 1 January 2016 | 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 attributable to issue of shares | - | (2,406) | - | - | - | - | - | - | - | (2,406) | - | (2,406) |
| Recognition of equity-settled share-based payments | - | - | - | - | - | 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 |
| (Loss) profit for the year | - | - | - | - | - | - | - | - | (98,487) | (98,487) | 708 | (97,779) |
| Other comprehensive income for the year | - | - | - | - | - | - | 352 | - | - | 352 | 150 | 502 |
| Total comprehensive income (expense) for the year | - | - | - | - | - | - | 352 | - | (98,487) | (98,135) | 858 | (97,277) |
| Issue of shares upon exercise of share options | 707 | 6,901 | - | - | - | (1,531) | - | - | - | 6,077 | - | 6,077 |
| Issue of placing shares | 1,538 | 13,842 | - | - | - | - | - | - | - | 15,380 | - | 15,380 |
| Transaction costs attributable to issue of shares | - | (638) | - | - | - | - | - | - | - | (638) | - | (638) |
| Share of effects of equity transaction of a joint venture | - | - | - | - | - | - | - | - | 1,676 | 1,676 | - | 1,676 |
| Recognition of equity-settled share-based payments | - | - | - | - | - | 3,204 | - | - | - | 3,204 | - | 3,204 |
| Lapse of share option | - | - | - | - | - | (166) | - | - | 166 | - | - | - |
| Acquisition of a non-controlling interest of a subsidiary | - | - | - | - | - | - | - | - | (11,249) | (11,249) | (27,951) | (39,200) |
| Balance at 31 December 2017 | 9,936 | 138,874 | 153,551 | 61,545 | 873 | 1,507 | 1,758 | (112) | (90,197) | 277,735 | 10,868 | 288,603 |

Note:

Pursuant to the special resolution passed in an extraordinary general meeting (“EGM”) and special general meeting (“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 balances 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 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 (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).

The shares of the Company are listed on 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 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 and asset management);
- 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”)

Amendments to HKFRSs that are mandatory effective for the current year

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

| | |
|------------------------|---|
| Amendments to HKAS 7 | <i>Disclosure Initiative</i> |
| Amendments to HKAS 12 | <i>Recognition of Deferred Tax Assets for Unrealised Losses</i> |
| Amendments to HKFRS 12 | <i>As part of the Annual Improvements to HKFRSs 2014-2016 Cycle</i> |

Except for amendments to HKAS 7 Disclosure Initiative, 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.

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 Instruments¹</i> |
| HKFRS 15 | <i>Revenue from Contracts with Customer and the related Amendments¹</i> |
| HKFRS 16 | <i>Leases²</i> |
| HKFRS 17 | <i>Insurance Contracts⁴</i> |
| HK(IFRIC)-Int 22 | <i>Foreign Currency Transactions and Advance Consideration¹</i> |
| HK(IFRIC)-Int 23 | <i>Uncertainty over Income Tax Treatments²</i> |
| Amendments to HKFRS 2 | <i>Classification and Measurement of Share-based Payment Transactions¹</i> |
| Amendments to HKFRS 4 | <i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts¹</i> |
| Amendments to HKFRS 9 | <i>Prepayment Features with Negative Compensation²</i> |
| Amendments to HKFRS 10 and HKAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i> |
| Amendments to HKAS 28 | <i>Long-term Interests in Associates and Joint Ventures²</i> |
| Amendments to HKAS 28 | <i>As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle¹</i> |
| Amendments to HKAS 40 | <i>Transfers of Investment Property¹</i> |
| Amendments to HKFRSs | <i>Annual Improvements to HKFRSs 2015-2017 Cycle²</i> |

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

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

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2021.

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 segments under HKFRS 8 are as follows:

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

Two operations (animal husbandry business and provision of food and beverage services segments) were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 7. Certain comparative figures have been reclassified to conform with current year’s presentation.

In late June 2017, there was a sharp decline in the share price of certain stocks held by a subsidiary of the Company, China Demeter Securities Limited (“**CD Securities**”) as collateral securities for its margin clients (“**June Incident**”). As a result of the June Incident, a number of CD Securities’ accounts receivable arising from margin financing business became undercollateralised. Following the June Incident and the deterioration of CD Securities’ margin loans during and after the June Incident, CD Securities received a letter from the Securities and Futures Commission (“**SFC**”), wherein the SFC, among other things, had raised concern about certain issues on CD Securities’ margin loan operations and requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**Code of Conduct**”). In such connection, the SFC had instructed CD Securities to temporarily refrain from providing further margin lending to its clients and refine its margin financing policy. CD Securities had undertaken to the SFC to address the concerns satisfactorily within a reasonable period of time. The management of CD Securities is currently working towards addressing such concerns.

3. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

| Continuing operations | Agricultural | | Money lending | | Financial services | | Securities investment | | Total | |
|---|------------------|--------------------------------|------------------|------------------|--------------------|------------------|-----------------------|------------------|------------------|--------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 (Restated) | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
| Revenue | | | | | | | | | | |
| Revenue from external customers | 32,110 | 23,148 | 7,305 | 6,261 | 13,774 | 7,888 | 204 | 442 | 53,393 | 37,739 |
| Inter-segment revenue | – | – | – | – | 185 | 80 | – | – | 185 | 80 |
| Segment revenue | <u>32,110</u> | <u>23,148</u> | <u>7,305</u> | <u>6,261</u> | <u>13,959</u> | <u>7,968</u> | <u>204</u> | <u>442</u> | <u>53,578</u> | <u>37,819</u> |
| Elimination | | | | | | | | | (185) | (80) |
| Group revenue | | | | | | | | | <u>53,393</u> | <u>37,739</u> |
| Segment (loss) profit | <u>(2,724)</u> | <u>(379)</u> | <u>6,070</u> | <u>4,704</u> | <u>(15,394)</u> | <u>2,543</u> | <u>(89,063)</u> | <u>(586)</u> | <u>(101,111)</u> | <u>6,282</u> |
| Other income, other gains and losses | | | | | | | | | 27,678 | 3,711 |
| Impairment loss of available-for-sale investments | | | | | | | | | (6,680) | (1,320) |
| Share of loss of a joint venture | | | | | | | | | (759) | (11,897) |
| Finance costs | | | | | | | | | (1,104) | (870) |
| Central administration costs | | | | | | | | | <u>(16,893)</u> | <u>(14,824)</u> |
| Loss before tax | | | | | | | | | <u>(98,869)</u> | <u>(18,918)</u> |

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 bank interest income, dividend income from available-for-sale investments, net foreign exchange loss 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 CODM for the purposes of resource allocation and performance assessment.

Inter-segment pricing is based on similar terms to those available to other external parties for similar services.

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 | | Total | |
|--|------------------|--------------------------------|------------------|------------------|--------------------|------------------|-----------------------|------------------|------------------|--------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 (Restated) | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
| Segment assets | 31,437 | 29,632 | 109,424 | 88,150 | 72,866 | 162,569 | 47,785 | 162,522 | 261,512 | 442,873 |
| Assets relating to discontinued animal husbandry and provision of food and beverage services operations | | | | | | | | | 303 | 866 |
| Investment in a joint venture | | | | | | | | | 3,574 | 2,432 |
| Available-for-sale investments | | | | | | | | | 25,947 | 33,616 |
| Corporate and unallocated assets | | | | | | | | | 35,213 | 26,646 |
| Consolidated assets | | | | | | | | | 326,549 | 506,433 |
| Segment liabilities | 2,885 | 7,503 | 10 | 86 | 31,154 | 96,591 | - | - | 34,049 | 104,180 |
| Liabilities relating to discontinued animal husbandry and provision of food and beverage services operations | | | | | | | | | 1,299 | 862 |
| Corporate and unallocated liabilities | | | | | | | | | 2,598 | 2,010 |
| Consolidated liabilities | | | | | | | | | 37,946 | 107,052 |

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.

Other segment information

| Continuing operations | Agricultural | | Money lending | | Financial services | | Securities investment | | Total | |
|--|------------------|--------------------------------|------------------|------------------|--------------------|------------------|-----------------------|------------------|------------------|--------------------------------|
| | 2017 HK\$'000 | 2016 HK\$'000 (Restated) | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
| Amounts included in the measure of segment profit or loss or segment assets | | | | | | | | | | |
| Depreciation and amortisation | 1,008 | 1,103 | 105 | 73 | 591 | 196 | - | - | 1,704 | 1,372 |
| Unallocated depreciation | | | | | | | | | 419 | 110 |
| | | | | | | | | | 2,123 | 1,482 |
| Loss on disposal of property, plant and equipment | - | - | - | 129 | - | - | - | - | - | 129 |
| Impairment loss of goodwill | - | - | - | - | 13,844 | - | - | - | 13,844 | - |
| Impairment loss of loan and interest receivable | - | - | 103 | - | - | - | - | - | 103 | - |
| Impairment of trade receivables | 1,294 | - | - | - | 48 | 271 | - | - | 1,342 | 271 |
| Reversal of impairment loss of trade receivables | - | - | - | - | (128) | (1,336) | - | - | (128) | (1,336) |
| Addition to non-current assets (Note) | 11 | 90 | 227 | 310 | 31 | 42 | - | - | 269 | 442 |
| Unallocated addition to non-current assets (Note) | | | | | | | | | 2,116 | - |
| | | | | | | | | | 2,385 | 442 |

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 is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of assets.

| | Revenue from external customers | | Non-current assets (Note) | |
|-----------|------------------------------------|---------------------------------------|---------------------------|---------------------------------------|
| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> (Restated) | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> (Restated) |
| PRC | 32,110 | 23,148 | 5,563 | 6,095 |
| Hong Kong | 21,283 | 14,591 | 3,182 | 15,835 |
| Singapore | — | — | 3,574 | 2,432 |
| | <u>53,393</u> | <u>37,739</u> | <u>12,319</u> | <u>24,362</u> |

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

Information about major customers

During the years ended 31 December 2017 and 2016, no customers from continuing operations contributed over 10% of the total revenue of the Group.

4. REVENUE AND OTHER INCOME, OTHER GAINS AND LOSSES

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> (Restated) |
|---|-------------------------|---------------------------------------|
| Revenue | | |
| Sale of feedstock products | 32,110 | 23,148 |
| Dividend income from listed equity investments | 204 | 442 |
| Loan interest income | 7,305 | 6,261 |
| Provision of financial services | | |
| – Commission from securities dealing | 6,289 | 2,206 |
| – Placing and underwriting commission | 2,587 | 3,668 |
| – Interest income from securities clients | 4,600 | 1,950 |
| – Clearing and handling fee income | 294 | 64 |
| – Asset management commission | 4 | – |
| | <u>53,393</u> | <u>37,739</u> |
| Other income, other gains and losses | | |
| Bank interest income | 19 | 16 |
| Dividend income from available-for-sale investments | 27,487 | 3,634 |
| Loss on disposal of property, plant and equipment | – | (129) |
| Net foreign exchange loss | (15) | (5) |
| Impairment loss of loan and interest receivable | (103) | – |
| Impairment loss of trade receivables | (1,342) | (271) |
| Reversal of impairment loss of trade receivables | 128 | 1,336 |
| Sundry income | 187 | 66 |
| | <u>26,361</u> | <u>4,647</u> |

5. FINANCE COSTS

Continuing operations

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Interest on bank and other borrowings | <u>1,104</u> | <u>870</u> |

6. INCOME TAX CREDIT

Continuing operations

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Current tax: | | |
| PRC Enterprise Income Tax | 7 | 30 |
| Hong Kong Profits Tax | <u>50</u> | <u>77</u> |
| | <u>57</u> | <u>107</u> |
| Over-provision in prior years: | | |
| Hong Kong Profits Tax | <u>(20)</u> | <u>(20)</u> |
| Deferred tax | <u>(77)</u> | <u>(448)</u> |
| Total income tax credit recognised in profit or loss | <u>(40)</u> | <u>(361)</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

Animal husbandry business

On 18 January 2017, 廈門市東岳貿易有限公司 (in English, for identification only, “Xiamen Dongyu Trading Company Limited”) (the “**Vendor**”), an indirect non-wholly owned subsidiary of the Company, and an independent third party (the “**Purchaser**”) entered into an equity transfer agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the entire interest in 武平建軍生態養殖有限公司 (in English, for identification only, “Wuping Jian Jun Ecology Breeding Company Limited”) (“**Wuping Jian Jun**”), a limited liability company established in the PRC, which is principally engaged in breeding and sales of live swine in the PRC, at a consideration of RMB1,100,000. The disposal constitutes a major transaction for the Company under the GEM Listing Rules and the resolution thereto was passed by the shareholders of the Company at a special general meeting held on 8 March 2017. The disposal was completed in March 2017.

The assets, liabilities and gain on disposal of Wuping Jian Jun as at the date of disposal are as follows:

HK\$'000

The net assets disposed of are as follows:

| | |
|--|-------------|
| Property, plant and equipment | 197 |
| Deposits, prepayments and other receivables | 2 |
| Cash and cash equivalents | 3 |
| | <hr/> |
| Net assets disposed of | 202 |
| | <hr/> |
| Gain on disposal: | |
| Consideration | 1,239 |
| Net assets disposed of | (202) |
| Release of foreign currency exchange reserve | 1,830 |
| | <hr/> |
| Gain on disposal | 2,867 |
| | <hr/> <hr/> |
| Net cash inflow arising on disposal: | |
| Cash consideration | 1,239 |
| Less: cash and cash equivalents disposed of | (3) |
| | <hr/> |
| Net cash inflow | 1,236 |
| | <hr/> <hr/> |

7. DISCONTINUED OPERATIONS (Continued)

Food and beverage business

In November 2017, the Group decided to cease the operation of food and beverage business as the financial performance of the business over the past financial year was unsatisfactory. The cessation of operation was effected in order to avoid in making further investment in the business.

The profit (loss) for the year from the discontinued operations (i.e. animal husbandry and food and beverage businesses) included in the consolidated statement of profit or loss and other comprehensive income are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of the animal husbandry business and food beverage business as discontinued operations.

| | Animal husbandry business HK\$'000 | 2017 Food and beverage business HK\$'000 | Total HK\$'000 | Animal husbandry business HK\$'000 | 2016 Food and beverage business HK\$'000 | Total HK\$'000 |
|--|---|--|-------------------|---|--|-------------------|
| Revenue | - | 3,584 | 3,584 | 17,419 | 6,545 | 23,964 |
| Cost of sales and services | - | (5,105) | (5,105) | (10,540) | (6,737) | (17,277) |
| Other income | - | 22 | 22 | - | - | - |
| General and administrative expenses | (62) | (256) | (318) | (34) | (824) | (858) |
| Impairment loss of property, plant and equipment | - | - | - | (821) | (435) | (1,256) |
| Impairment loss of goodwill | - | - | - | - | (373) | (373) |
| | (62) | (1,755) | (1,817) | 6,024 | (1,824) | 4,200 |
| Gain on disposal of the animal husbandry business | 2,867 | - | 2,867 | - | - | - |
| Profit (loss) for the year from discontinued operations | 2,805 | (1,755) | 1,050 | 6,024 | (1,824) | 4,200 |
| Attributable to: | | | | | | |
| Owners of the Company | 1,431 | (897) | 534 | 3,072 | (1,115) | 1,957 |
| Non-controlling interests | 1,374 | (858) | 516 | 2,952 | (709) | 2,243 |
| | 2,805 | (1,755) | 1,050 | 6,024 | (1,824) | 4,200 |
| Profit (loss) for the year from discontinued operations include the following: | | | | | | |
| Depreciation | 62 | - | 62 | 131 | 376 | 507 |
| Cash flows from discontinued operations | | | | | | |
| Net cash (outflow) inflow from operating activities | - | (151) | (151) | (53) | 464 | 411 |
| Net cash outflow from investing activities | - | - | - | - | (473) | (473) |
| Net cash outflow | - | (151) | (151) | (53) | (9) | (62) |

8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> (Restated) |
|--|-------------------------|---------------------------------------|
| Loss for the year from continuing operations has been arrived at after charging: | | |
| Employee benefits expense (excluding directors' emoluments) | | |
| – Salaries and other benefits | 11,533 | 7,722 |
| – Contributions to retirement benefits schemes | 480 | 258 |
| – Equity-settled share-based payments | 1,763 | 603 |
| Directors' emoluments | <u>3,906</u> | <u>2,605</u> |
| Total staff costs | <u>17,682</u> | <u>11,188</u> |
| Cost of inventories recognised as an expense (included in cost of sales and services) | 29,053 | 19,593 |
| Auditors' remuneration | 1,200 | 720 |
| Amortisation of prepaid lease payments | 21 | 21 |
| Depreciation of property, plant and equipment | 2,102 | 1,461 |
| Equity-settled share-based payments granted to consultant | 1,095 | 1,003 |
| Net foreign exchange loss | 15 | 5 |
| Minimum lease payments paid under operating leases in respect of land and buildings (<i>Note</i>) | <u>2,264</u> | <u>902</u> |

Note: The amount excludes rental expense relating to a staff's quarter amounting to approximately HK\$466,000 (2016: HK\$616,000) which has been included in "Salaries and other benefits" within employees benefits expense disclosed above.

9. LOSS PER SHARE

From continuing and discontinued operations

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

Loss

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share | <u>(98,487)</u> | <u>(17,683)</u> |

9. LOSS PER SHARE (Continued)

From continuing and discontinued operations (Continued)

Number of shares

| | 2017 '000 | 2016 '000 |
|---|----------------|----------------|
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | <u>881,425</u> | <u>587,233</u> |

From continuing operations

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

Loss figures are calculated as follows:

| | 2017 HK\$'000 | 2016 HK\$'000 (Restated) |
|--|------------------|--------------------------------|
| Loss for the year attributable to owners of the Company | (98,487) | (17,683) |
| Less: profit for the year attributable to owners of the Company from discontinued operations | <u>(534)</u> | <u>(1,957)</u> |
| Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share from continuing operations | <u>(99,021)</u> | <u>(19,640)</u> |

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

From discontinued operations

| | 2017 | 2016 (Restated) |
|----------------------|-------------|--------------------|
| Earnings per share: | | |
| – Basic (HK cents) | 0.06 | 0.33 |
| – Diluted (HK cents) | <u>0.06</u> | <u>0.33</u> |

9. LOSS PER SHARE (Continued)

From discontinued operations (Continued)

| | 2017 <i>HK\$'000</i> | 2016 <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 | <u>534</u> | <u>1,957</u> |

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

The computation of diluted (loss) earnings per share for the years ended 31 December 2017 and 2016 did not assume the exercise of potential ordinary shares granted under the Company's share options scheme outstanding at year end since their exercise would have an anti-dilutive effect.

10. TRADE RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Trade receivables | | |
| – Agricultural and other business | 15,221 | 9,429 |
| Less: allowance for doubtful debts | <u>(1,294)</u> | <u>–</u> |
| | <u>13,927</u> | <u>9,429</u> |
| – Financial services business | | |
| – Dealing in securities | | |
| – Cash clients | 96 | 2,548 |
| – Margin clients | 5,597 | 76,863 |
| – Clearing house | <u>2,911</u> | <u>6,216</u> |
| | <u>8,604</u> | <u>85,627</u> |
| Less: allowance for doubtful debts | <u>(74)</u> | <u>(905)</u> |
| | <u>8,530</u> | <u>84,722</u> |
| | <u>22,457</u> | <u>94,151</u> |

10. TRADE RECEIVABLES (Continued)

(a) Agricultural and other business

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| 0 – 90 days | 9,217 | 8,179 |
| 91 – 180 days | 4,072 | 1,250 |
| 181 – 365 days | 638 | – |
| | <u>13,927</u> | <u>9,429</u> |

The Group's trading terms with its customers from the agricultural business are mainly on credit. The Group generally allows a credit period of 60 days (2016: 30 to 90 days) to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

(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, net of allowance for doubtful debts, arising from cash clients and clearing house, including those which are past due but not impaired at the end of each of the reporting period, based on the trade date are as follows:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Neither past due nor impaired | 2,911 | 7,588 |
| Past due but not impaired: | | |
| Less than 1 month | – | 225 |
| 1 to 3 months | – | – |
| Over 3 months | 22 | 46 |
| | <u>2,933</u> | <u>7,859</u> |

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Prepayments | 1,932 | 2,319 |
| Deposits and other receivables | <u>13,763</u> | <u>12,348</u> |
| | 15,695 | 14,667 |
| Current portion of prepaid lease payments | <u>21</u> | <u>21</u> |
| | <u>15,716</u> | <u>14,688</u> |

12. LOANS AND INTEREST RECEIVABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--------------------------------|-------------------------|-------------------------|
| Loans and interest receivables | 97,083 | 85,728 |
| Less: provision for impairment | <u>(103)</u> | <u>–</u> |
| | <u>96,980</u> | <u>85,728</u> |
| Analysed as: | | |
| Current | 85,041 | 52,646 |
| Non-current | <u>11,939</u> | <u>33,082</u> |
| | <u>96,980</u> | <u>85,728</u> |

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

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0-90 days | 5,241 | 12,911 |
| 91-180 days | 17,745 | 31,926 |
| Over 180 days | <u>73,994</u> | <u>40,891</u> |
| | <u>96,980</u> | <u>85,728</u> |

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Held-for-trading investments | | |
| Equity securities listed in Hong Kong | <u>14,983</u> | <u>150,725</u> |

14. BANK AND OTHER BORROWINGS

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Bank borrowing | – | 470 |
| Other borrowing | <u>–</u> | <u>25,000</u> |
| | <u>–</u> | <u>25,470</u> |

15. TRADE AND OTHER PAYABLES

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade payables | | |
| – Agricultural and other business (<i>Note (i)</i>) | 2,894 | 1,971 |
| – Financial services business (<i>Note (ii)</i>) | | |
| Dealing in securities | | |
| – Cash clients | 24,243 | 5,964 |
| – Margin clients | 5,582 | 8,844 |
| – Clearing house | – | 25,243 |
| Asset management | 782 | – |
| Other payables and accruals | <u>4,435</u> | <u>9,805</u> |
| | <u>37,936</u> | <u>51,827</u> |

15. TRADE AND OTHER PAYABLES (Continued)

Notes:

- (i) The following is an aged analysis of trade payables from agricultural and other business, presented based on invoice date at the end of the reporting period:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0 – 90 days | 1,292 | 1,971 |
| 91 – 180 days | 163 | – |
| Over 180 days | 1,439 | – |
| | <u>2,894</u> | <u>1,971</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.

Trade payables to clients bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date. No aged analysis is disclosed as, in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of business. At 31 December 2017, the trade payables amounting to approximately HK\$28,954,000 (2016: HK\$26,998,000) were payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

16. 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:

| | 2017 <i>HK\$'000</i> | 2016 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Authorised and contracted for: | | |
| Capital contribution to available-for-sale investments | <u>953</u> | <u>6,016</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 matter 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 2017, 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

Included in available-for-sale investments with a total carrying amount of HK\$25,947,000 on the consolidated statement of financial position of the Group as at 31 December 2017 was an unlisted fund investment (the “Unlisted Investment Fund”) of approximately HK\$7,188,000 which should be measured at fair value at the end of the reporting period with fair value changes recognised in other comprehensive income. The Group was unable to obtain the necessary financial and other information pertaining to the Unlisted Investment Fund so as to enable the Group to assess the fair value of the aforesaid Unlisted Investment Fund as at 31 December 2017, and accordingly the Group had not accounted for any fair value changes of the Unlisted Investment Fund for the year ended 31 December 2017. Accordingly, we were unable to obtain sufficient reliable audit evidence in order to satisfy ourselves as to whether the carrying amount of the aforesaid Unlisted Investment Fund as at 31 December 2017 was fairly stated, and as to whether any fair value changes should be reflected in other comprehensive income or any impairment loss should be charged to profit or loss for the year ended 31 December 2017. Any adjustments found to be necessary in respect of the above would affect the Group's net assets as at 31 December 2017 and the Group's financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND BUSINESS REVIEW

China Demeter Financial Investments Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) recorded a net loss attributable to owners of the Company of approximately HK\$98,487,000 for the year ended 31 December 2017 (the “**Year**”) (31 December 2016: approximately HK\$17,683,000). This was mainly attributable to the fair value loss on financial assets through profit or loss of approximately HK\$87,506,000, the impairment loss of goodwill of approximately HK\$13,844,000, the impairment loss of available-for-sale investment of approximately HK\$6,680,000 and the general and administrative expenses of approximately HK\$37,220,000, which were offset by dividend income from available-for-sale investments of approximately HK\$27,487,000, loan interest income of approximately HK\$7,305,000 and income from financial service of approximately HK\$13,774,000.

Revenue of the Group from the continuing operations for the Year increased by approximately 41.48% to approximately HK\$53,393,000 (31 December 2016: approximately HK\$37,739,000), while gross profit from the continuing operations for the Year was approximately HK\$22,142,000 (31 December 2016: approximately HK\$16,067,000). Revenue from the continuing operations for the Year comprised the sales of feedstock products amounting to approximately HK\$32,110,000 (31 December 2016: approximately HK\$23,148,000), dividend income from listed equity investments amounting to approximately HK\$204,000 (31 December 2016: approximately HK\$442,000), loan interest income amounting to approximately HK\$7,305,000 (31 December 2016: approximately HK\$6,261,000), and provision of financial services amounting to approximately HK\$13,774,000 (31 December 2016: approximately HK\$7,888,000).

General and administrative expenses from the continuing operations for the Year increased to approximately HK\$37,220,000 (31 December 2016: approximately HK\$25,594,000). Such increase was mainly due to inclusion of the operating expenses of Profit Network Asia Inc. (“**Profit Network**”) and its subsidiary (“**Profit Network Group**”) to the administrative expenses of the Group upon completion of the acquisition of Profit Network Group since 2 September 2016.

AGRICULTURAL BUSINESS

Revenue of the feedstock product business for the Year was approximately HK\$32,110,000 (31 December 2016: approximately HK\$23,148,000), representing an increase of approximately HK\$8,962,000 as compared to the same period last year. This was mainly attributable to steady sales of 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 were physically damaged. 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"), which is 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, entered into an equity transfer agreement with an independent third party, to dispose of 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"), which is a limited liability company established in the PRC and is principally engaged in breeding and sales of live swine in the PRC ("**Disposal**"). 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 Group did not record the sale of the breeding and sale of live swine business following the Disposal and deconsolidated it from the Group's financial statements. The Group recorded profit of approximately HK\$2,805,000 (31 December 2016: approximately HK\$6,024,000) from the discontinued operation of the breeding and sale of live swine business for the Year.

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 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 1,900 licensed money lenders (including applications for renewal in progress) in Hong Kong as at 31 December 2017.

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 2017, 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 2017, the Group has not granted any loan to the connected persons of the Company.

As at 31 December 2017, personal loans represented approximately 73% and business loans represented approximately 27% 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 2017, 88% of outstanding loan balances were short-term loans repayable within one year and 12% of outstanding loan balances were long-term loans repayable beyond one year.

As at 31 December 2017, the effective interest rate of the active and outstanding loans in the loan portfolio of the Group's money lending business ranged from approximately 5% to 14% 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 approximately 91% of the Group's total active and outstanding loan portfolio as at 31 December 2017.

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 2017, loans which are backed by personal/corporate guarantees/mortgages in respect of a property represented approximately 30% in total number of loans, and approximately 24% in value of our Group's total active and outstanding loan portfolio.

Impairment loss of loan and interest receivables of approximately HK\$103,000 was made on the Group's money lending business for the year.

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\$7,305,000 during the Year (31 December 2016: approximately HK\$6,261,000).

FINANCIAL SERVICES BUSINESS

To proactively develop its financial services business, the Group completed the acquisition of the 51% equity interest in Profit Network in 2016. On 24 February 2017, a purchase and sales agreement was entered into with Trinity Worldwide Capital Holding Limited (which is incorporated in the British Virgin Islands with limited liability) (“**Trinity Worldwide**”), pursuant to which, the Group conditionally agreed to acquire the remaining 49% equity interest in Profit Network at a total consideration of HK\$39,200,000. Due to completion of the acquisition on 16 June 2017, Profit Network Group has become a wholly-owned subsidiaries of the Group, the financial results of which will thus remain accounted into the consolidated financial statements of the Group.

Profit Network Group is principally engaged in advising on securities and dealing in securities and asset management 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 Securities and Futures Ordinance (“**SFO**”). 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 Board believes that it is conducive to diversifying the Group’s business by leveraging on the operational model and management experiences of Profit Network Group, in particular in advising on securities. In addition, the Group will continue to develop its financial services business, which is expected to bring about a positive impact on the operations, financial results and profitability of the Group. During the Year, revenue from external customers of Profit Network Group amounted to approximately HK\$13,774,000 (31 December 2016: approximately HK\$7,888,000).

The increase in revenue were mainly due to only around 4 months of the operational results of China Demeter Securities Limited, a non-wholly-owned subsidiary of the Company (“**CD Securities**”) was included in the Group’s consolidated result for the year ended 31 December 2016 as CD Securities was acquired by the Group in September 2016, while full year operation results of CD Securities was included in the Group’s consolidated result for the Year.

In late June 2017, there was a sharp decline in the share price of certain stocks held by CD Securities as collateral securities for its margin clients (“**June Incident**”). As a result of the June Incident, a number of CD Securities’ accounts receivable arising from margin financing business became undercollateralised. Following the June Incident and the deterioration of CD Securities’ margin loans during and after the June Incident, CD Securities received a letter from the Securities and Futures Commission (“**SFC**”), wherein the SFC, among other things, had raised concern about certain issues on CD Securities’ margin loan operations and requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**Code of Conduct**”). In such connection, the SFC had instructed CD Securities to temporary refrain from providing further margin lending to its clients and refine its margin financing policy. CD Securities had undertaken to the SFC to address the concerns satisfactorily within a reasonable period of time.

The management of CD Securities is currently working towards addressing such concerns.

Following the launch of the Shanghai and Shenzhen-Hong Kong Stock Connect Program in 2014 and 2016, respectively, it was believed that the financial services industry of Hong Kong would continue to grow. The Group will strengthen its internal control policy and take a prudent approach to develop the securities brokerage and margin financing business to reduce the credit risk from the margin clients.

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. The financial assets at fair value through profit or loss held by the Group were all the shares of listed companies in Hong Kong.

The Directors consider that an investment in listed securities with a carrying value of 5% or more of the net asset value of the Group as at a balance sheet date as significant investments (“**Significant Investments**”). As at 31 December 2017, the Group did not hold any Significant Investments. As at 31 December 2016, all the Significant Investments held were securities of listed companies in Hong Kong. The breakdown of Significant Investments held during the Year is set out below:

SIGNIFICANT INVESTMENTS

| Name of stock listed on the Stock Exchange (Stock Code) | Brief description of the principal business | Number of shares held as at 31 December 2016 | Shareholding percentage of the Group in such investee company as at 31 December 2016 | Total investment cost of such investments HK\$'000 | Number of shares held as at 31 December 2017 | Loss in change in fair value of such investments during the Year HK\$'000 | Dividend received during the Year HK\$'000 |
|---|---|--|--|--|--|---|--|
| Town Health International Medical Group Limited (3886) | Provision of healthcare and dental services, managed care business and beauty and cosmetic medicine business | 16,360,000 | 0.211% | 20,416 | – | (285) | – |
| China e-Wallet Payment Group Limited (802) | Trading of securities and biometric identification products, radio frequency identification products and solution services, internet and mobile applications and related services and commodities trading | 41,200,000 | 1.758% | 10,670 | – | (22,079) | – |
| AMCO United Holding Limited (630) | Engaged in manufacture and sale of medical devices products, manufacture and sale of plastic moulding products, provision of public relations services and provision of human resources management services | 35,865,000 | 1.925% | 26,190 (Note) | 5,000 | (24,359) | – |
| Convoy Global Holdings Limited (1019) | Engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business | 184,252,768 | 1.233% | 57,215 | 6,768 | (2,311) | – |
| First Credit Finance Group Limited (8215) | Engaged in money lending and securities trading business | 8,170 | 0.000% | 46,734 (Note) | 8,170 | (36,912) | 204 |
| Others | | | | | | (1,560) | – |
| | | | | | | <u>(87,506)</u> | <u>204</u> |

Note: The total investment cost of such investments also included the investment cost incurred by the Group during the Year.

Town Health International Medical Group Limited (“Town Health”)

As at 1 January 2017, the Group held 16,360,000 shares in the issued share capital of Town Health which amounted to an aggregate carrying amount of approximately HK\$20,450,000. During the Year, the Group did not purchase any shares in Town Health but disposed of all the shares held on market at the aggregate consideration of approximately HK\$20,165,000. No dividend was received by the Group from Town Health during the Year. The Group recorded a fair value loss of approximately HK\$285,000 for its investment in Town Health during the Year. As at 31 December 2017, the Group did not hold any shares in issued share capital of Town Health.

China e-Wallet Payment Group Limited (“China e-Wallet”)

As at 1 January 2017, the Group held 41,200,000 shares in the issued share capital of China e-Wallet which amounted to an aggregate carrying amount of approximately HK\$26,780,000. During the Year, the Group did not purchase any shares in China e-Wallet but disposed of all the shares held on market at the aggregate consideration of approximately HK\$4,701,000. No dividend was received by the Group from China e-Wallet during the Year. The Group recorded a fair value loss of approximately HK\$22,079,000 for its investment in China e-Wallet during the Year. As at 31 December 2017, the Group did not hold any shares in issued share capital of China e-Wallet.

AMCO United Holding Limited (“AMCO”)

As at 1 January 2017, the Group held 35,865,000 shares in the issued share capital of AMCO which amounted to an aggregate carrying amount of approximately HK\$21,160,000. During the Year, the Group purchased 10,000,000 shares of AMCO in the aggregate amount of approximately HK\$6,200,000 and disposed of the aggregate of 45,860,000 shares of AMCO on market at the aggregate consideration of approximately HK\$3,001,000. No dividend was received by the Group from AMCO during the Year. The Group recorded a fair value loss of approximately HK\$24,359,000 for its investment in AMCO during the Year. As at 31 December 2017, the Group held 5,000 shares of AMCO.

Convoy Global Holdings Limited (“Convoy”)

As at 1 January 2017, the Group held 184,252,768 shares in the issued share capital of Convoy which amounted to an aggregate carrying amount of approximately HK\$42,562,000. During the Year, the Group did not purchase any shares in Convoy but disposed of the aggregate of 184,246,000 Shares of Convoy on market at the aggregate consideration of approximately HK\$40,250,000. No dividend was received by the Group from Convoy during the Year. The Group recorded a fair value loss of approximately HK\$2,311,000 for its investment in Convoy during the Year. As at 31 December 2017, the Group held 6,768 shares of Convoy.

First Credit Finance Group Limited (“First Credit”)

As at 1 January 2017, the Group held 8,170 shares in the in the issued share capital of First Credit which amounted to an aggregate carrying amount of approximately HK\$4,000. During the Year, the Group purchased 101,900,000 shares of First Credit in the aggregate amount of approximately HK\$46,731,000 and disposed of the aggregate of 101,900,000 shares of First Credit on market at the aggregate consideration of approximately HK\$9,822,000. The Group received a dividend of approximately HK\$204,000 for its shares held in First Credit during the Year. The Group recorded a fair value loss of approximately HK\$36,912,000 for its investment in First Credit during the Year. As at 31 December 2017, the Group held 8,170 shares of First Credit.

During the Year, the Group disposed of certain securities investments and recorded a loss from financial assets through profit or loss of approximately HK\$87,506,000 (31 December 2016: a profit of approximately HK\$218,000). The decrease was mainly due to the fluctuations in the Hong Kong stock market and a slowdown in the global economy during the Year.

FOOD AND BEVERAGE BUSINESS

During the Year, the Group recorded income of approximately HK\$3,584,000 (31 December 2016: approximately HK\$6,545,000) 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. On 31 January 2018, Rich Sheen International Limited, (“**Rich Sheen**”), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, and Mr. Li Ho Kwong (“**Mr. Li**”), a substantial shareholder and director of Treasure Easy Limited, entered into the sale and purchase agreement, pursuant to which, Rich Sheen agreed to sell and Mr. Li agreed to acquire (i) the Sale Shares, representing 51% of the issued share capital of Treasure Easy Limited, and (ii) the sale loan, representing the entire shareholder’s loan owing by Treasure Easy Limited to Rich Sheen as at completion date, at an aggregate cash consideration of HK\$20,000. Immediately before the completion of the transaction, Treasure Easy Limited, which is a limited liability company established in Hong Kong and is principally engaged in provision of food and beverage service in Hong Kong, is owned as to 51% by Rich Sheen. Since then, Treasure Easy Limited has ceased to be a subsidiary of the Company. For details, please refer to the announcement dated 31 January 2018.

INVESTMENTS IN A JOINT VENTURE

The joint venture is currently engaged in investing in the business of operating restaurants, cafes and takeaway outlets in Singapore. During the Year, the Group recorded the share of loss of a joint venture of approximately HK\$759,000 (31 December 2016: approximately HK\$11,897,000). The decrease in loss was mainly attributable to the improved financial performance due to the cost control measures adopted to increase the operating efficiency. 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.

CHANGE OF COMPANY NAME

As disclosed in the circular of the Company dated 9 November 2016, the Company proposed the change of 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”. As disclosed in the announcement of the Company dated 2 December 2016, the resolution in relation to the change of name of the Company was duly passed by the Shareholders as a special resolution by way of poll and as disclosed in the announcement of the Company dated 9 January 2017.

PROSPECT

Looking forward, the global economic recovery will continue. The Group will continue to actively explore new business and performance growth opportunities and identify various investment projects to diversify the business portfolio of the Company. The acquisition of the equity interest in Profit Network Group will enable the Group to consolidate its position in the financial services industry and achieve strong development momentum in advising on securities by leveraging on its own strengths and capitalising on Profit Network Group’s professional operational model and management experiences. This will be conducive to expanding the Group’s operation and investment scope. In view of the increasingly attractive investment environment in Hong Kong, it is believed that the Group’s financial services business will expand the Group’s revenue stream in the future.

The Group will carefully review the development in all segments, and will allocate more resources to any business with sustainability and growth potential. The Board believes that the Group’s operating strategies and diversified businesses will help to boost performances and consolidate the Group’s market position, thus improving higher returns for our shareholders.

MATERIAL ACQUISITION AND DISPOSAL

On 18 January 2017, 廈門市東岳貿易有限公司 (in English, for identification only, “Xiamen Dongyu Trading Company Limited”), an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with an independent third party to dispose of the equity interest in 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 which is principally engaged in breeding and sales of live swine in the PRC, at a consideration of RMB1,100,000. As disclosed in the announcement dated 8 March 2017 in relation to the poll results of the special general meeting, the relevant resolution to approve such disposal was duly passed by the shareholders by way of poll. The disposal was completed in March 2017. For details, please refer to the announcements of the Company dated 18 January 2017, 8 March 2017 and 20 March 2017 and the circular of the Company dated 20 February 2017.

On 24 February 2017, Golden Harvest Holdings Limited and Trinity Worldwide, entered into a purchase and sales agreement, pursuant to which, the Company conditionally agreed to acquire the remaining 49% equity interest in Profit Network, a company owned as to 49% by Trinity Worldwide and 51% by the Company as at 24 February 2017, at a total consideration of HK\$39,200,000 (“**Consideration**”). Following completion of acquisition on 16 June 2017, Profit Network became a wholly owned subsidiary of the Company and the financial results of the Profit Network continue to be consolidated into the consolidated financial statements of the Company.

The Consideration was partly funded from the net proceeds of approximately HK\$14.7 million from the placing of new shares under general mandate of the Company which was completed on 21 April 2017, further particulars of which are set out in the announcements of the Company dated 31 March 2017 and 21 April 2017, and the remaining of which to be funded from the internal resources of the Group. Trinity Worldwide is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director of the Company before the date 16 June 2017 and redesignated to a non-executive director since then. Accordingly, the Trinity Worldwide is an associate of Mr. Ng Ting Ho and is a connected person of the Company under the GEM Listing Rules and the acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The subsidiary of Profit Network incorporated in 2010, is a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under SFO.

On 14 November 2017, Eternal Speed International Limited (“**Eternal Speed**”, an indirect wholly-owned subsidiary of the Company) and BLVD Cayman Limited (“**BLVD**”) entered into the subscription agreement, pursuant to which Eternal Speed has conditionally agreed to subscribe for shares issued by BLVD, representing 50% of the enlarged issued share capital of BLVD, at the subscription price of HK\$12 million. BLVD is principally engaged in the business of operating restaurants, cafes and takeaway outlets in Singapore and is operating six outlets. It is the Group’s strategy to invest further in the restaurant business and expand into food and beverage services, and the subscription will provide opportunities to the Group in the food and beverage segment. Upon Closing, Eternal Speed will hold 75% of the enlarged issued share capital of the BLVD and BLVD will become a subsidiary of the Company.

On 15 January 2018, as the BLVD is unlikely to obtain the approval of all its shareholders to terminate the existing shareholders' agreement, Eternal Speed and the BLVD entered into a deed of termination ("**Deed of Termination**"), pursuant to which, the parties have agreed to terminate the subscription agreement and the subscription with immediate effect and confirmed neither party had any claim against the other party in connection with such termination. Upon the execution of the Deed of Termination, Eternal Speed and BLVD also entered into a loan agreement to formalise the advance of a shareholder's loan in the principal amount of HK\$4 million by Eternal Speed to BLVD (being the deposit paid under the subscription agreement) with effect from 15 January 2018, being the date of the Deed of Termination. The termination of the subscription agreement will not have any material adverse impact on the existing business, operation or financial condition of the Group. As a result of the termination of the subscription, the Group will continue to hold 50% of the equity interest in the BLVD and to account the BLVD as a joint venture.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK\$94,293,000 (2016: approximately HK\$73,971,000) and net current assets of approximately HK\$225,898,000 (2016: approximately HK\$307,823,000). Current ratio (defined as total current assets divided by total current liabilities) was 6.95 times (2016: 3.88 times).

The Group did not have any borrowings as at 31 December 2017. As at 31 December 2016, the Group have bank and other borrowings of 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 approximately HK\$94,530,000.

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 2017 was 12% (2016: 21%).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2017, the Group had equity attributable to owners of the Company of approximately HK\$277,735,000 (2016: approximately HK\$361,420,000).

Issue of shares under the general mandate

On 22 November 2016, the Company and Fordjoy Securities and Futures Limited (“**Fordjoy**”) entered into a placing agreement pursuant to which Fordjoy has agreed to place, 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 (which represented a discount of approximately 8.26% to the closing price of HK\$0.109 per share as quoted on the Stock Exchange on 22 November 2016). The net price per placing share was approximately HK\$0.095. 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.

On 31 March 2017, the Company and Astrum Capital Management Limited (“**Astrum**”) entered into a placing agreement, pursuant to which Astrum agreed to place on a best basis, in aggregate, up to 153,800,000 placing shares of the Company at the placing price of HK\$0.10 per share (which represented a discount of approximately 9.09% to the closing price of HK\$0.11 per share as quoted on the Stock Exchange on 31 March 2017) to not less than six placees under general mandate. The net price per placing share was approximately HK\$0.096. As disclosed in the announcement of the Company dated 21 April 2017, completion of the placing took place on 21 April 2017 in accordance with the terms of the placing agreement. The Company received net proceed of approximately HK\$14.7 million, which was used for partial payment of the acquisition of the remaining 49% of the issued shares of Profit Network.

| Date of announcement/prospectus | Fund raising activity | Net proceeds raised (approximately) | Intended use of the net proceeds | Actual use of the net proceeds as at 31 December 2017 |
|---|---|-------------------------------------|---|---|
| 22 November 2016 and 2 December 2016 | Placing of 118,340,000 new shares at the placing price of HK\$0.10 per Share under general mandate. | HK\$11.3 million | As to approximately HK\$11.3 million for developing the financial services business of the Group. | Used as intended. |
| 31 March 2017, 7 April 2017 and 21 April 2017 | Placing of 153,800,000 new shares at the placing price of HK\$0.1 per Share under general mandate. | HK\$14.7 million | As to approximately HK\$14.7 million for developing the financial services business of the Group. | Used as intended. |

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 December 2017, 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.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

CHARGES OF GROUP ASSETS

As at 31 December 2017, the Group did not have any charges of group assets. (2016: the Group had outstanding borrowings of HK\$25,470,000 comprising other borrowing of HK\$25,000,000, which is secured by corporate guarantee executed by the Company and bank borrowing of HK\$470,000, which is secured by personal guarantee executed by the director of a subsidiary of the Company.)

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 55 employees in Hong Kong and the PRC (excluding directors of the Company) (2016: 62). 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 76,900,000 and 70,660,000 share options to directors, employees and other eligible persons on 7 April 2017 and 21 November 2017 respectively.

ENVIRONMENT

The Group is subject to laws and regulations in the PRC in which is engaged in feedstock production. The Group has established environment policies and procedures aimed at compliance with local environmental and other laws. For the feedstock production, we have complied with the “Regulations on Administration of Feed and Feed Additives”, and the “Measures for the Management of Production Licenses for Feeds and Feed Additives”. During the year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and Greenhouse Gas (“**GHG**”) emissions, discharges into water and land, or generation of hazardous and non-hazardous waste. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

EVENT AFTER THE REPORTING PERIOD

On 31 January 2018, Rich Sheen and Mr. Li, a substantial shareholder and director of Treasure Easy Limited (“**Treasure Easy**”) entered into the sale and purchase agreement, pursuant to which Rich Sheen agreed to sell the sale shares, representing 51% of the issued share capital of Treasure Easy, and the sale loan, representing the entire shareholder’s loan owing by Treasure Easy to Rich Sheen as at 31 January 2018, at an aggregate cash consideration of HK\$20,000.

Treasure Easy is principally engaged in the business of operating a Japanese restaurant in Hong Kong. Rich Sheen acquired its 51% shareholding in Treasure Easy and a shareholder’s loan owing by Treasure Easy in April 2015 at the consideration of HK\$1,275,000. The performance of Treasure Easy has been deteriorating since the year ended 31 December 2016 and made losses for that year and for the 11 months ended 30 November 2017. In light of the unsatisfactory financial performance of Treasure Easy over the past financial years, the unaudited net liabilities of Treasure Easy of approximately HK\$2.8 million as at 30 November 2017 and thus its inability to repay the sale loan to the Group in full and the possibility of the need to make further investment in Treasure Easy upon request by other shareholders of Treasure Easy, the management of the Group is of the view that despite Treasure Easy was disposed at a loss, it was nevertheless a reasonable decision made under the current circumstances.

Upon completion, Treasure Easy has ceased to be a subsidiary of the Company. The aggregate Consideration for the sale shares and the sale loan is HK\$20,000 and has been settled by Mr. Li in cash upon completion.

On 9 February 2018, Eternal Code Holdings Limited (“Eternal Code”), as the purchaser, a company incorporated in Hong Kong which its principal activity is distribution of imported craft beer in Hong Kong and the PRC, as the seller, the ultimate beneficial owners of the sale shares, representing the entire issued share capital of the target company; and the directors of the target company, as the guarantors, entered into the Memorandum of Understanding (“MOU”) in relation to the proposed acquisition of (i) the sale shares and (ii) the sale debts, representing the entire shareholder’s loan owing by the target company to the seller as at completion. A refundable earnest money of HK\$4 million was paid by Eternal Code to the seller upon terms and conditions of the MOU. It is expected that the aggregate consideration for the sale shares and sale debts will be in the range of HK\$20 million to HK\$28 million. Such amount has not been agreed amongst the parties.

The target company is a company incorporated in Hong Kong with limited liability, which is legally and beneficially wholly owned by the seller. Its principal activity is distribution of imported craft beer in Hong Kong and the PRC.

The MOU is intended to record mutual intentions between the Parties and contains certain legally binding obligations regarding, amongst others, the payment and refund of the earnest money, exclusivity and confidentiality. However, other terms contained in the MOU, in particular, the amount of the consideration, are not legally binding. The terms of the formal agreement for the proposed acquisition have yet to be agreed upon by all parties.

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 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.

The Company has complied with all the code provisions of the CG Code during the Year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Hung Kenneth, an independent non-executive Director, is an executive Director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, 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 2017.

AUDIT COMMITTEE

The Audit Committee of the Company consists of three independent non-executive Directors, namely, Mr. Chan Hin Hang (chairman of the Committee), Mr. Yum Edward Liang Hsien 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 2017 have been reviewed by the Audit Committee.

On behalf of the Board

China Demeter Financial Investments Limited

Zhou Jing

Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhou Jing, Mr. Ng Man Chun Paul and Mr. Lam Chun Kei; one non-executive Director, namely, Mr. Ng Ting Ho; and three independent non-executive Directors, namely Mr. Chan Hin Hang, Mr. Yum Edward Liang Hsien 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.