THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in China Demeter Investments Limited ("**Company**"), you should at once hand this circular and the accompanying form of proxy to the purchaser, the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

China Demeter Investments Limited
中 國 神 農 投 資 有 限 公 司

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

(Stock Code: 8120)

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF 44% OF THE ISSUED SHARES OF THE TARGET AND NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

INCU

INCU Corporate Finance Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Independent Board Committee is set out on page 12 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 13 to 36 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Wednesday, 27 July 2016 at 5/F., Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular. A form of proxy for use by the Shareholders at the SGM is sent to you with this circular.

Whether or not you are able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return them to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the "Latest Company Announcements" page of the GEM website at http://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.

11 July 2016

CHARACTERISTICS OF GEM

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

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

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the acquisition of the Sale Shares by the Purchaser from the Vendor pursuant to the SP Agreement
"associate"	has the meaning ascribed to it in the GEM Listing Rules
"AUD"	Australian dollars, the lawful currency of Australia
"Board"	the board of Directors
"Business Day(s)"	any day(s) (except any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are open for business throughout their normal business hours
"Company"	China Demeter Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued shares of which are listed on GEM
"Completion"	the completion of the Acquisition
"connected person"	has the meaning ascribed to it in the GEM Listing Rules
"Consideration"	HK$35,200,000, the total consideration of the Acquisition
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group upon the Completion
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Independent Board Committee"	an independent committee of the Board (which comprises all the independent non-executive Directors) established to advise the Independent Shareholders with regard to the SP Agreement and the transactions contemplated thereunder
"INCU" or "Independent Financial Adviser"	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the SP Agreement and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders, who do not have any material interest in the SP Agreement and the transactions contemplated thereunder
"Independent Third Party"	a third party independent of the Company and the connected persons of the Company
"Long Stop Date"	4:00 p.m. on 25 October 2016 or such other time and date as the Purchaser and the Vendor shall agree in writing
"Latest Practicable Date"	7 July 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Previous Acquisition"	the acquisition of 7% equity interest in the Target by the Purchaser from the Vendor, completion of which took place on 6 January 2016 and further particulars of which are set out in the section headed "Previous Acquisition" in this announcement.
"Purchaser"	Golden Harvest Holdings Limited 金滿控股有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Sale Shares"	264 shares of the Target, representing 44% of the issued shares of the Target
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

"SGM"	a special general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Acquisition, the notice of which is set out on pages SGM-1 to SGM-3 of this circular
"Shareholder(s)"	the shareholder(s) of the Company
"SP Agreement"	the agreement dated 27 April 2016 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target"	Profit Network Asia Inc., a company incorporated in the British Virgin Islands with limited liability
"Target Group"	collectively, the Target and the Target Subsidiary
"Target Subsidiary"	China Demeter Securities Limited 國農證券有限公司 (formerly known as Trinity Finance Investment Limited 利宏金融投資有限公司), a company incorporated in Hong Kong with limited liability and 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 the SFO
"US$"	United States dollars, the lawful currency of the United States of America
"Vendor"	Trinity Worldwide Capital Holding Limited, a company incorporated in the British Virgin Islands with limited liability

China Demeter Investments Limited
中國神農投資有限公司

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

(Stock Code: 8120)

Executive Directors:
Mr. Zhou Jing
Mr. Lam Chun Kei
Mr. Ng Ting Ho

Independent non-executive Directors:
Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

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

Principal place of business in Hong Kong:
Unit A, 15/F, Nathan Tower
518-520 Nathan Road
Yau Ma Tei, Kowloon
Hong Kong

11 July 2016

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF 44% OF THE ISSUED SHARES OF THE TARGET

INTRODUCTION

Reference is made to the announcement of the Company dated 27 April 2016 in relation to the Acquisition. The purpose of this circular is to provide you with further details regarding, among other things, (i) the details of the SP Agreement and the transactions contemplated thereunder and other information as required to be disclosed under the GEM Listing Rules; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the SP Agreement and the transactions contemplated thereunder; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, together with the notice of the SGM.

THE SP AGREEMENT

After trading hours on 27 April 2016, the Purchaser and the Vendor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at a Consideration of HK$35,200,000.

The principal terms of the SP Agreement are summarised as follows:

Date:	27 April 2016.
Purchaser:	Golden Harvest Holdings Limited 金滿控股有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.
Vendor:	Trinity Worldwide Capital Holding Limited, a company incorporated in the British Virgin Islands with limited liability. The Vendor is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director. Accordingly, the Vendor is an associate of Mr. Ng Ting Ho and is a connected person of the Company under the GEM Listing Rules.

Assets to be acquired

The Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at a Consideration of HK$35,200,000. The Sale Shares represent 44% of the issued shares of the Target. Further particulars of the Target and the Target Group are set out in section headed "Information on the Target Group" below.

Consideration

The Consideration of HK$35,200,000 shall be payable by the Purchaser to the Vendor at Completion.

The Consideration was determined after arm's length negotiations between the parties to the SP Agreement on normal commercial terms with reference to the historical operating and financial performance of the Target Group as elaborated below, the unaudited net assets of the Target Group as at 31 March 2016 of approximately HK$55.8 million based on the then available management accounts of the Target Group and the reasons as set out in the section headed "Reasons for and benefits of the Acquisition" below. The valuation of 100% of the equity interests of the Target Group, based on the Consideration, is HK$80,000,000, which was the same with the valuation at the time when the Directors considered the Previous Acquisition. Such valuation was determined with reference to the then audited financial information of the Target Subsidiary, the operating subsidiary of the Target Group, in particular, the Target Subsidiary's audited profit and total comprehensive income for the year ended 31 March 2015 of approximately HK$7.7 million as set out in its audited financial statements for the same year at a price-to-earnings ratio of approximately 10.34 times, keeping in view of the price-to-earnings ratios of other listed companies in Hong Kong whose principal business, financial positions and source of revenue are similar to those of the Target Group. Taking into account that the Group is acquiring a majority stake pursuant to the Acquisition and the unaudited consolidated net profit of the Target Group for the year ended 31 March 2016 of approximately HK$7.5 million based the then available management accounts of the Target Group, the Directors considered that the valuation of 100% equity interests of the Target Group and thus the Consideration were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Consideration will be funded by the internal resources of the Group.

Conditions precedent

Completion is conditional upon and subject to the following conditions precedent:

(1) the Shareholders having approved the necessary resolution regarding the transactions contemplated under the SP Agreement at the SGM in accordance with the GEM Listing Rules;

(2) the Target Subsidiary having received the written approval or consent of SFC (in accordance with the SFO) to the change in the substantial shareholder of the Target Subsidiary as contemplated by the SP Agreement;

(3) (if required by the Purchaser), the Target Subsidiary having received the written approval or consent of SFC to the appointment of such person(s) nominated by the Purchaser as director(s) of the Target Subsidiary;

(4) the Purchaser being reasonably satisfied with the results of the due diligence exercise (whether on legal, accounting, financial, operational, properties or other aspects that the Purchaser may consider necessary) on the Target Group and its assets, liabilities, activities, operations, prospects and other status which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;

(5) the Purchaser being satisfied that, from the date of the SP Agreement and at any time before the Completion, that the warranties under the SP Agreement remain true, accurate and not misleading and that no events have occurred that would result in any breach of any of the warranties or other provisions of the SP Agreement by the Vendor; and

(6) (if applicable) the receipt from the Purchaser of all such waivers, consents or other documents as the Vendor may require in relation to the completion of the transactions contemplated under the SP Agreement.

The satisfaction of the conditions precedent (4), (5) and (6) above are capable of being waived by the Purchaser at its sole discretion. Save as aforesaid, none of the conditions precedent is capable of being waived by the Purchaser and the Vendor. As at the Latest Practicable Date, the Purchaser does not intend to waive any of the aforementioned conditions precedent.

If the conditions precedent above cannot be fulfilled (or waived, where applicable) on or before the Long Stop Date, the SP Agreement shall terminate (save and except certain provisions, including confidentiality and announcements, notices and governing law) and the obligations of the parties to proceed with Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

As at the Latest Practicable Date, none of the conditions precedent above have been fulfilled.

Completion

Completion shall take place on the third Business Day after the conditions precedent are fulfilled or waived or such other date as the Purchaser and the Vendor shall agree in writing.

Other terms

Pursuant to the SP Agreement, upon Completion, the Vendor and the Purchaser have agreed that unless otherwise agreed by the Vendor and the Purchaser in writing, so long as the Purchaser (and/or any members of the Group) held not less than 50% of the shares in the then issued share capital of the Target, the Purchaser shall have the right to nominate and remove such number of directors of each of the members of the Target Group which shall equal to not less than 51% of the total number of directors of such member of the Target Group.

PREVIOUS ACQUISITION

On 6 January 2016, the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser purchased and the Vendor sold such number of shares in the issued share capital of the Target as held by the Vendor representing 7% of the issued share capital of the Target at a consideration of HK$5,600,000 in cash. Completion of such acquisition took place immediately after the signing of such sale and purchase agreement.

As at the date of the SP Agreement, the Purchaser remained as the holder of 7% equity interest in the Target. At the time of the Previous Acquisition, the Previous Acquisition did not constitute a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules or a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the British Virgin Islands with limited liability which as at the date of the SP Agreement, was owned as to 93% by the Vendor and as to 7% by the Purchaser. The Purchaser's existing 7% equity interest in the Target was acquired by the Purchaser on 6 January 2016 under the Previous Acquisition as described above. The Target, through its wholly-owned subsidiary, namely the Target Subsidiary, a company incorporated in Hong Kong with limited liability, is principally engaged in advising and dealing in securities.

The Target is an investment holding company. The Target Subsidiary, 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 the SFO.

The Target was incorporated on 28 September 2015 and no business activity has been undertaken by it after its incorporation. Set out below is a summary of certain consolidated financial information of the Target Group for the year ended 31 March 2015 and the year ended 31 March 2016 as extracted from the audited consolidated statements of profit or loss and other comprehensive income set out in Appendix II to this circular:

	For the Year ended 31 March 2015	**For the Year ended 31 March 2016**
	HK$'000	*HK$'000*
Revenue	21,998	27,502
Profit before tax	9,242	7,410
Profit after tax	7,740	5,884

As at 31 March 2016, the audited total asset value and net asset value of the Target Group were HK$123,365,000 and HK$54,123,000 respectively.

Upon Completion, the Target shall be owned as to 51% by the Company, each of the Target and the Target Subsidiary shall become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in (i) feedstock products and animal husbandry business; (ii) money lending business; (iii) securities investment business; and (iv) food and beverage business.

The Board is always committed to seeking opportunities for new business and performance growth, as well as for timely expansion of the Company's scope of operation and investments.

Securities investment business is one of the principal business of the Group. As disclosed in the annual report of the Company for the year ended 31 December 2015, the Group will continue to develop the securities investment and trading and related business by aiming to expand its scope, to seize opportunities for bringing a new impetus for its revenue growth, and to contribute benefits to the Group by formulating business strategies accordingly in line with market trends.

The Acquisition serves to further the aforesaid goals of the Group and is expected to diversify the Group's business into the financial services industry in addition to the Group's securities investment and trading and related businesses. The Target Group is principally engaged in advising and dealing in securities in which the Target Subsidiary is a licensed corporation in Hong Kong to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. In this regard, the Company believes that through leveraging on its own resources and combining with the operational model and management experiences of the Target Group in particular in advising on securities, it is expected that the Acquisition will enlarge the customer base and broaden the income source of the Enlarged Group. Given that the Company intends to retain the existing management team of the Target Subsidiary, the operating subsidiary of the Target Group, after Completion, and that Mr. Ng Ting Ho, one of the executive Directors, had previous experience in banking and finance including licensed corporations carrying out regulated activities under the SFO, the Company does not expect that there will be any interruption to the operations of the Target Group after the Completion. The Company will consider recruiting personnels who possess the relevant industry experience to supplement the existing management of the Target Group when necessary.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto. In light of the reasons above, the Directors (other than the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and that the terms of the SP Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Ting Ho, an executive Director, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Given that the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition exceeds 25%, the Acquisition is subject to the reporting, announcement and the Independent Shareholders' approval requirements under Chapter 20 of the Listing Rules. The Company will seek the Independent Shareholders' approval for the SP Agreement and the transactions contemplated thereunder at the SGM.

None of the Directors had material interests in the transactions contemplated under the Acquisition. Nevertheless, given that the Vendor is an associate of Mr. Ng Ting Ho, an executive Director, Mr. Ng Ting Ho had abstained from voting on the resolutions at the Board meeting held to approve the SP Agreement and the transactions contemplated thereunder.

At the time of the Previous Acquisition, the Previous Acquisition did not constitute a notifiable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules or a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. As the Previous Acquisition and the Acquisition were conducted within a 12-month period prior to and inclusive of the date of the SP Agreement, the Previous Acquisition and the Acquisition were aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition, whether standalone or in aggregate with the Previous Acquisition, are more than 25% but all applicable percentage ratios are less than 100%, the Acquisition, whether standalone or in aggregate with the Previous Acquisition, constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

SGM

The SGM will be convened for the purpose of, among other matters, considering, and if thought fit, approving the Acquisition, and a notice convening the SGM at 11:00 a.m. on Wednesday, 27 July 2016 at 5/F., Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-3 of this circular.

Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrars and transfer office of the Company, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting thereof (as the case may be) should you so desire. In such event, the instrument appointing a proxy will be deemed to be revoked.

In compliance with the GEM Listing Rules, the resolution as set out in the notice of SGM will be voted on by way of a poll at the SGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, none of Mr. Ng Ting Ho, an executive Director, the Vendor and their respective associates who are required to abstain from voting on the resolution to be proposed at the SGM, held any Shares as at the Latest Practicable Date. On such basis, no Shareholder or any of its associates has any material interest in the SP Agreement and the transactions contemplated thereunder and no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

RECOMMENDATION

The Independent Board Committee comprising all of the independent non-executive Directors has been established to advise and provide recommendation to the Independent Shareholders on the SP Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

The Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) believe that although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the SP Agreement (and the transactions contemplated thereunder) are on normal commercial terms and that of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) recommend the Independent Shareholders and the Shareholders (as the case may be) to vote in favour of the resolution to approve the SP Agreement and the transactions contemplated thereunder at the SGM.

Shareholders are advised to read carefully the letter from the Independent Board Committee on page 12 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, the text of which is set out on pages 13 to 36 of this circular, considers that the terms of the SP Agreement and the Acquisition are fair and reasonable insofar as the Company and the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the SP Agreement and the transactions contemplated thereunder at the SGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully
On behalf of the Board
China Demeter Investments Limited
Zhou Jing
Chairman and Chief Executive Officer

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the SP Agreement and the Acquisition.

China Demeter Investments Limited
中國神農投資有限公司

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

(Stock Code: 8120)

11 July 2016

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF 44% OF THE ISSUED SHARES OF THE TARGET

We refer to the circular of the Company dated 11 July 2016 ("**Circular**") of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the Independent Shareholders as to whether the terms of the SP Agreement and the Acquisition are fair and reasonable insofar as the Independent Shareholders are concerned. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise you and us in this respect.

Having taken into account the principal reasons and factors considered by, and the advice of, the Independent Financial Adviser as set out in its letter of advice to you and us on pages 13 to 36 of the Circular, we are of the opinion that although the Acquisition is not in the ordinary and usual course of business of the Group, the SP Agreement (and the transactions contemplated thereunder) are on normal commercial terms and that the Acquisition is in the interests of the Company and the Shareholders as a whole and the terms of which are fair and reasonable insofar as the Company and the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the SP Agreement and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. Lee Kin Fai	**Ms. Cheng Lo Yee**	**Mr. Hung Kenneth**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from INCU, which has been prepared for the purpose of incorporation into this circular, setting out its opinion to the Independent Board Committee and the Independent Shareholders in connection with the SP Agreement and the transactions contemplated thereunder.

INCU Corporate Finance Limited
Unit 1602, 16/F., Tower 1, Silvercord,
30 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

11 July 2016

To: The Independent Board Committee and
the Independent Shareholders of
China Demeter Investments Limited

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF 44% OF THE ISSUED SHARES OF THE TARGET

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to give opinion in relation to the Acquisition. Details of the Acquisition are set out in the "Letter from the Board" (the "**Letter from the Board**") contained in the circular of the Company dated 11 July 2016 (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Reference is made to the announcement of the Company dated 27 April 2016 in relation to the Acquisition. On 27 April 2016 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at a Consideration of HK$35,200,000. The Sale Shares represent 44% of the issued shares of the Target. Upon Completion, the Target shall be owned as to 51% by the Company, each of the Target and the Target Subsidiary shall become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

The Vendor is wholly-owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director. Accordingly, the Vendor is an associate of Mr. Ng Ting Ho and is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition are more than 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of Mr. Ng Ting Ho, an executive Director, the Vendor and their respective associates who are required to abstain from voting on the resolution to be proposed at the SGM, hold any shares, as at the Latest Practicable Date. On such basis, no Shareholder or any of its associate has any material interest in the SP Agreement and the transactions contemplated thereunder and no Shareholder is required to abstain from voting on the resolution to be proposed at the SGM.

The Company has established an Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth, to advise and provide recommendation to the Independent Shareholders on the SP Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders on how to vote.

As the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether the terms of the SP Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

We have not acted as an independent financial adviser and has not provided any other services to the Company during the past two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between INCU and the Company or any other parties that could be reasonably be regarded as hindrance to INCU's independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser. We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the SP Agreement and the transactions contemplated thereunder, and accordingly, are eligible to give independent advice and recommendations on the terms of the SP Agreement and the transactions contemplated thereunder. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates or any other parties to the SP Agreement and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company and the management of the Group. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete at the time they were made and continued to be so as at the Latest Practicable Date. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed by them in the Circular have been arrived at after due and careful consideration and there are no other material facts not contained in the Circular; the omission of which would make any such statement made by them that contained in the Circular misleading in all material respects. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter and to justify our reliance on such information. However, we have not conducted any in-depth independent investigation into the businesses, affairs and financial positions of the Group, the Vendor and the Target Group nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions and recommendation in respect of the SP Agreement and the Acquisition, we have taken into consideration of the following principal factors and reasons:

I. Background and financial performance of the Group

The Company is an investment holding company. The Group is principally engaged in (i) feedstock products and animal husbandry business (the "**Agricultural Business**"); (ii) money lending business (the "**Money Lending Business**"); (iii) securities investment business; and (iv) food and beverage business (the "**F&B Business**").

Set out below are the audited consolidated financial information of the Company for the financial years ended 31 December 2014 ("**FY2014**") and 31 December 2015 ("**FY2015**") as extracted from the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the unaudited consolidated financial information of the Company for the three months ended 31 March 2015 ("**2015Q1**") and 31 March 2016 ("**2016Q1**") as extracted from the first quarterly report of the Company for the three months ended 31 March 2016 (the "**2016Q1 Report**"):

	FY2014	**FY2015**	**2015Q1**	**2016Q1**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Restated)		(Restated)	
	(audited)	(audited)	(unaudited)	(unaudited)
Continuing operations *(Note 1)*				
Revenue	18,063	57,721	9,310	10,526
Gross profit	12,034	21,766	4,805	3,422
(Loss)/profit before tax	(18,066)	10,428	13,252	3,129
Discontinued operations *(Note 2)*				
Profit from discontinued operations	214	3,850	1,014	–
(Loss)/profit for the year/period attributable to the owners of the Company	(15,289)	6,168	13,094	2,054

	As at 31 December	
	2014	**2015**
	HK$'000	*HK$'000*
	(audited)	(audited)
Non-current assets	85,969	74,643
Current assets	313,227	287,951
Non-current liabilities	349	403
Current liabilities	53,749	10,545
Net assets attributable to owners of the Company	290,558	342,054

Notes:

1. Continuing operations of the Group represent (i) the Agricultural Business; (ii) the Money Lending Business; (iii) the securities investment business; and (iv) the F&B Business.

2. Discontinued operations represent the provision of professional IT contract and maintenance services in the PRC (the "**IT Business**") and processing and sales of food products business (the "**Food Processing Business**") disposed of by the Group in FY2015.

(a) Financial performance of the Group

In recent years, the Group's revenue has been contributed mainly from the Agricultural Business and the Money Lending Business. These segments in aggregate contributed 97.92%, 92.39% and 86.38% to the total revenue of the Group for FY2014, FY2015 and 2016Q1 respectively. The Group's revenue base has been broadened after the acquisition of the F&B Business in April 2015, which contributed approximately 13.62% of the Group's revenue for 2016Q1.

As disclosed in the 2015 Annual Report, the revenue from continuing operations for FY2015 increased by approximately HK$39.66 million, which represented a 219.55% growth from FY2014. Such increase was mainly attributable to the increase in revenue from the Agricultural Business of approximately HK$32.43 million which was due to suspended operation of the feedstock factory since first half of 2014 for fine tuning the production lines which was completed in the second half of 2014 and resumed normal operation in 2015. In contrast with the increase in revenue, the gross profit margin has decreased from 66.62% in FY2014 to 37.71% in FY2015, which was mainly due to the increase in revenue contribution from the Agricultural Business which contributed lower gross profit margin as compared to the Money Lending Business. For FY2015, profit attributable to the owners of the Company amounted to approximately HK$6.17 million. As compared to loss attributable to the owners of the Company of approximately HK$15.29 million in FY2014, such increase was mainly attributable to the fair value gain on financial assets at fair value through profit or loss (which represented securities listed in Hong Kong held for trading) of approximately HK$3.62 million in FY2015 as compared to fair value loss of approximately HK$23.38 million in FY2014.

As disclosed in the 2016Q1 Report, revenue of the Group amounted to approximately HK$10.53 million, representing an increase of 13.06% as compared with 2015Q1. Such increase was mainly attributable to the increase in revenue from the Agricultural Business which was partly offset by the decrease in revenue from the Money Lending Business. Despite the improvement in revenue from continuing operations, gross profit margin decreased from 51.61% in 2015Q1 to 32.51% in 2016Q1, which was mainly due to the decrease in revenue contribution from the Money Lending Business in 2016Q1 which contributed higher gross profit margin. Profit for the period attributable to owners of the Company decreased from approximately HK$13.09 million in 2015Q1 to approximately HK$2.05 million in 2016Q1, such decrease was mainly due to the decrease in fair value gain of financial assets through profit or loss (which represented securities listed in Hong Kong held for trading) during the period from approximately HK$11.93 million in 2015Q1 to approximately HK$3.91 million in 2016Q1.

(b) Financial position of the Group

Based on the 2015 Annual Report, the Group recorded net assets attributable to owners of the Company of approximately HK$342.05 million as at 31 December 2015. The current assets of the Group mainly comprised loans and interest receivables of approximately HK$110.61 million, financial assets at fair value through profit or loss of approximately HK$90.43 million and cash and bank balances of approximately HK$69.56 million, while the non-current assets of the Group comprised available-for-sale investments of approximately HK$38.50 million and investment in a joint venture of approximately HK$14.05 million.

As at 31 December 2015, the current liabilities of the Group comprised trade and other payables of approximately HK$9.73 million, while the non-current liabilities of the Group represented deferred tax liabilities of approximately HK$0.40 million.

II. Background and businesses of the Target Group

As disclosed in the Letter from the Board, the Target is a company incorporated in the British Virgin Islands with limited liability which, as at the Latest Practicable Date, was owned as to 93% by the Vendor and as to 7% by the Purchaser. The Purchaser's existing 7% equity interest in the Target was acquired by the Purchaser on 6 January 2016 under the Previous Acquisition.

The Target is an investment holding company incorporated in the British Virgin Islands with limited liability, and, through the Target Subsidiary, is principally engaged in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO. In addition, the Target Subsidiary has also obtained the license to carry on business in Type 9 (asset management) regulated activity from the SFC on 29 June 2016.

As disclosed in Appendix II to the Circular, the Target Group provides a mixture of financial services ranging from securities brokerage service, securities underwriting and placements, margin and IPO financing.

As stated in the Letter from the Board, the Target was incorporated on 28 September 2015 and no business activity has been undertaken by it after its incorporation. Set out below is a summary of certain financial information of the Target Group for the years ended 31 March 2014 ("**YE2014**"), 31 March 2015 ("**YE2015**") and 31 March 2016 ("**YE2016**"), as extracted from the accountants' report of the Target Group in Appendix II to this Circular:

	YE 2014	**YE 2015**	**YE 2016**
	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*
	approximately	*approximately*	*approximately*
Revenue	26,365	21,998	27,502
Profit before tax	17,908	9,242	7,410
Profit after tax	14,965	7,740	5,884

	As at 31 March 2014 (Audited) *HK$'000 approximately*	As at 31 March 2015 (Audited) *HK$'000 approximately*	As at 31 March 2016 (Audited) *HK$'000 approximately*
Net asset value	41,514	49,254	54,123

The revenue of the Target Group was mainly generated from its securities brokerage, underwriting and placements. The revenue of the Target Group has dropped from approximately HK$26.37 million for YE2014 to approximately HK$22.00 million for YE2015, and increased to approximately HK$27.50 million in YE2016. As disclosed in Appendix II to the Circular, decrease in revenue of 16.56% from YE2014 to YE2015 was mainly due to decline in income from securities dealing business as a result of decrease in clients due to the departure of certain employees during the year. For YE2016, the Target Group's revenue has recovered, with a year-to-year increase of 25.02%, mainly attributable to the strong demand in fund raising activities through placement and underwriting businesses and the increased demand in margin financing during the year.

The Target Group recorded net profit of approximately HK$14.97 million, approximately HK$7.74 million and approximately HK$5.88 million for YE2014, YE2015 and YE2016 respectively. As disclosed in Appendix II to the Circular, decrease in net profit for YE2015 was mainly due to drop in revenue as explained above together with the increase in administrative expenses from approximately HK$8.34 million in YE2014 to approximately HK$13.37 million in YE2015. Net profit of the Target Group for YE2016 decreased to approximately HK$5.88 million. Such decrease was mainly due to increase in employee benefits expenses as a result of improvement in remuneration packages of employees and increase in number of headcounts and discretionary bonus due to the growth of the underwriting and placement businesses while it is partly offset by the improvement in revenue.

The net assets of the Target Group as at 31 March 2016 amounted to approximately HK$54.12 million. The assets of the Target Group mainly comprised cash and bank balances (trust accounts) of approximately HK$54.58 million and trade receivables of approximately HK$60.13 million, while the liabilities of the Target Group mainly comprised trade payables of approximately HK$55.31 million and bank borrowings of approximately HK$11.49 million. Upon Completion, the Target shall be owned as to 51% by the Company, each of the Target and the Target Subsidiary shall become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

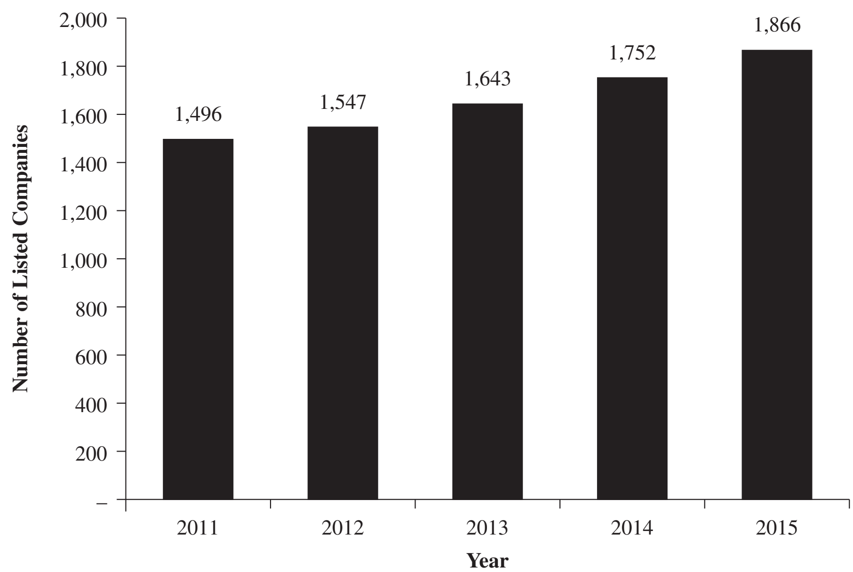
III. Brief industry review

The Target Group is principally engaged in the provision of Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO in Hong Kong during the past three years. Though the Target Subsidiary has obtained the license to carry out business in Type 9 (asset management) regulated activity under the SFO in June 2016, the Target Group has not yet commenced the asset management business. We have thus, based on publicly available information, reviewed merely the prospects of the Hong Kong's stock market.

According to the "Half-Yearly Monetary and Financial Stability Report" published by the Hong Kong Monetary Authority in March 2016 with review period from the end of August 2015 to the end of February 2016. The equity market in Hong Kong experienced a sharp correction during the review period. Following the US Federal Reserve's decision to keep its policy rate unchanged in September 2015, investors regained some confidence after a turbulent summer break. However, the market came under pressure again towards the end of 2015. While the widely expected rate hiked at the December Federal Open Market Committee meeting did not trigger much market reaction, concerns were mounting that the global economy is stalling in view of the weakness of oil and commodity prices. Heightened tensions in the Middle East and migrant flows in Europe added to the pessimism, especially on the economic outlook for Europe. After the turn of the year, the Mainland economy came under the spotlight amid further depreciation of the renminbi and the equity market shutdown in early January 2016 following the triggering of the newly-introduced circuit breaker weighed further on the sentiment. Against this backdrop, equities in Hong Kong and across major markets saw a sharp fall in valuations toward the end of the review period. Overall, the Hang Seng Index (HSI) fell by 11.8% from September 2015 to February 2016. Notwithstanding the turmoil in global equity markets, the primary market in Hong Kong has shown solid growth for 3 years. The funds raised through initial public offer ("**IPO**") in 2015 increased by 14.7% year-on-year to approximately HK$261.3 billion and Hong Kong is the world's largest bourse in 2015 and one of the top five stock exchanges in the world in terms of fund raising amount for the past five years.

We have reviewed the stock market performance in the past five years from 2011 to 2015 with reference to the "HKEX Fact Book 2015" published by the Stock Exchange. Set out below is the total number of companies listed on the Stock Exchange from 2011 to 2015:

Chart 1: Total number of companies listed on the Stock Exchange

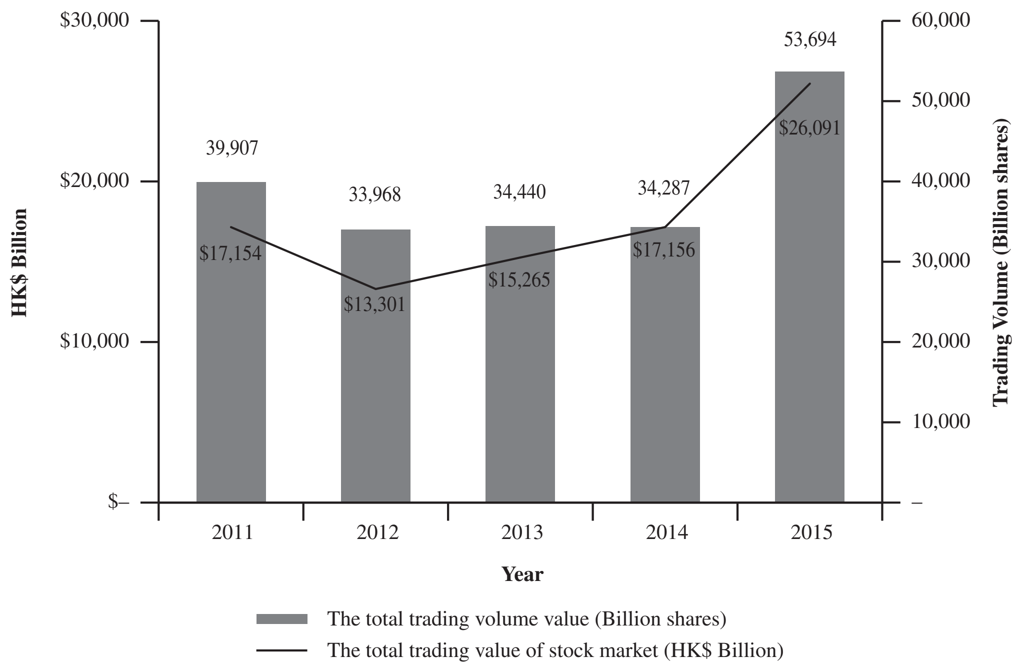


Source: "HKEX Fact Book 2015" published by the Stock Exchange

As shown in the Chart 1, the total number of listed companies in Hong Kong has increased from 1,496 in 2011 to 1,866 in 2015, representing a compound annual growth rate ("**CAGR**") of 5.68%.

Set out below are the total turnover value and total trading volume in the Hong Kong stock market from 2011 to 2015:

Chart 2: Total turnover value and total trading volume in shares



Source: "HKEX Fact Book 2015" published by the Stock Exchange

As shown in Chart 2, the total turnover value of the stock market in Hong Kong has increased from approximately HK$17,154 billion in 2011 to approximately HK$26,091 billion in 2015 with a CAGR of approximately 11.05%. Also, total trading volume has increased from approximately 39,907 billion in 2011 to approximately 53,694 billion in 2015 with a CAGR of approximately 7.70%.

With reference to the market statistics published on the official website of the SFC, the net securities commission income of corporations licensed for dealing in securities and securities margin financing amounted to approximately HK$28,656 million in 2015, represented a CAGR of approximately 19.41% as compared to approximately HK$20,096 million in 2013. The statistics also revealed that following the drop in average daily turnover of stock market from approximately HK$101,512 million in the 3rd quarter of 2015 to approximately HK$71,893 million in the 4th quarter of 2015, a recovering trend is shown in the 1st quarter of 2016 represented by increase in average daily turnover to approximately HK$72,679 million.

As stated in the annual report for the year ended 31 December 2015 of the Stock Exchange (388.HK), in order to extend and enhance mutual connectivity, the Stock Exchange will seek to (i) enhance the functionality of Shanghai-Hong Kong Stock Connect, launch Shenzhen-Hong Kong Stock Connect, and add Exchange Traded Funds (ETFs), listed bonds and convertible bonds to the two stock connect schemes; (ii) work with regulators in Hong Kong and the Mainland to relax trading restrictions including quotas, eligible securities, eligible investors, holiday trading, and stock borrowing and lending; and (iii) enable investors to subscribe to primary market offerings using a "Primary Equity Connect" structure, which the Stock Exchange believes will fundamentally change Hong Kong's proposition as a listing venue for international issuers, and offer new diversification opportunities for Mainland investors.

IV. Reasons and benefits for entering into of the SP Agreement

On 6 January 2016, the Purchaser and the Vendor entered into a sale and purchase agreement pursuant to which the Purchaser acquired from the Vendor certain number of shares of the Target as held by the Vendor representing 7% of the issued share capital of the Target at a consideration of HK$5,600,000 in cash. Completion of such acquisition took place immediately after the signing of such sale and purchase agreement.

As at the date of the SP Agreement, the Purchaser remained as the holder of 7% equity interest in the Target. At the time of the Previous Acquisition, the Previous Acquisition did not constitute a discloseable or connected transaction of the Company pursuant to the GEM Listing Rules. On 5 February 2016, Mr. Ng Ting Ho, brother of the sole shareholder of the Vendor, has been appointed as an executive Director of the Company, and hence the Vendor is an associate of Mr. Ng Ting Ho and is a connected person of the Company. As a result, the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As disclosed in the Letter from the Board, the Board is committed to seeking opportunities for new business and performance growth, as well as for timely expansion of the Company's scope of operation and investments. Securities investment business is one of the principal businesses of the Group. As disclosed in the 2015 Annual Report, the Group will continue to develop the securities investment and trading and related business by aiming to expand its scope, to seize opportunities for bringing a new impetus for its revenue growth, and to contribute benefits to the Group by formulating business strategies accordingly in line with market trends.

In line with the Group's business strategy, the Acquisition will help the Group to expand into and develop the securities dealing and advisory businesses which is essential for building an all-rounded financial service platform.

As discussed in the section headed "Background and businesses of the Target Group" above, the Target Group has recorded operating profits over the past three financial years. As advised by the Directors, given the existing customer base of the Target Subsidiary, it is expected that the Target Subsidiary will generate positive cash flow to the Enlarged Group after Completion. Apart from Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the Target Subsidiary has also obtained the license to carry on business in Type 9 (asset management) regulated activity from the SFC on 29 June 2016. Such new business may further broaden the income base of the Enlarged Group. Given that the Company intends to retain the existing management team of the Target Subsidiary, the operating subsidiary of the Target Group, after Completion, the Company does not expect that there will be any interruption to the operations of the Target Group after the Completion. The Company will consider recruiting personnel who possess the relevant industry experience to supplement the existing management of the Target Group when necessary. As further disclosed in the announcement of the Company dated 5 February 2016, Mr. Ng Ting Ho, who has experience in banking and finance industry since 2008, has been appointed as an executive director of the Company. We believe Mr. Ng Ting Ho's experience will help the Company to manage the business acquired under the Acquisition.

As advised by the Directors, as compared to setting up a new company, acquiring a licensed corporation would save time and cost for the Group in obtaining the required licenses under SFO and reduce the risk that the Group being unable to obtain the required licenses by itself.

Based on the aforesaid and taking into consideration that (i) Hong Kong is one of the world's top five markets in terms of fund raising amount in the past five years; (ii) stable growth in the stock market in Hong Kong was noted in the past five years in terms of number of listed companies, total turnover value, total trading volume and equity funds raised; (iii) the future implementation of Shenzhen-Hong Kong Stock Connect that is expected to broaden the investor base of Hong Kong securities market; (iv) the overall growth in net securities commission income of licensed corporations in Hong Kong; (v) the Target Group is of the ability to generate revenue and profit, proven by its historical financial record; and (vi) the business of asset management may further broaden the income base of the Target Group, we consider that the future prospects of the Target Group remains positive and therefore we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole since it's the Group's strategy to seek opportunity for new business and performance growth and would broaden the income sources of the Group.

V. Principal terms of the SP Agreement

Date	:	27 April 2016.
Purchaser	:	Golden Harvest Holdings Limited 金滿控股有限公司, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company.
Vendor	:	Trinity Worldwide Capital Holding Limited, a company incorporated in the British Virgin Islands with limited liability. The Vendor is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director. Accordingly, the Vendor is an associate of Mr. Ng Ting Ho and is a connected person of the Company under the GEM Listing Rules.

a) Assets to be acquired

The Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at a Consideration of HK$35,200,000. The Sale Shares represent 44% of the issued shares of the Target. Further particulars of the Target and the Target Group are set out in section headed "Background and businesses of the Target Group" above.

b) Consideration

The Consideration of HK$35,200,000 shall be payable in cash upon Completion and will be funded from the internal resources of the Group.

As stated in the Letter from the Board, the Consideration was determined after arm's length negotiations between the parties to the SP Agreement on normal commercial terms with reference to the historical operating and financial performance of the Target Group, the unaudited net assets of the Target Group as at 31 March 2016 of approximately HK$55.8 million based on the then available management accounts of the Target Group and the reasons as set out in the section headed "Reasons for and benefits of the Acquisition" in the Letter from the Board. The valuation of 100% of the equity interests of the Target Group, based on the Consideration, is HK$80,000,000. Such valuation is the same with the valuation at the time when the Directors considered the Previous Acquisition and such valuation was determined with reference to the then audited financial information of the Target Subsidiary, in particular, the Target Subsidiary's audited profit and total comprehensive income for the year ended 31 March 2015 of approximately HK$7.7 million as set out in its audited financial statements for the same year, at a price-to-earnings ("**P/E**") ratio of approximately 10.34 times, keeping in view of the P/E ratios of other listed companies in Hong Kong where principal business, financial positions and source of revenue are similar to those of the Target Group. Taking into account that the Group is acquiring a majority stake of the Target Group pursuant to the Acquisition and the unaudited consolidated net profit of the Target Group for the year ended 31 March 2016 of approximately HK$7.5 million based the then available management accounts of the Target Group, the Directors considered that the valuation of 100% equity interests of the Target Group is justifiable and thus the Consideration were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Apart from the terms discussed above, we have also reviewed other principal terms and conditions of the SP Agreement (details of which are set out in the Letter from the Board), we are not aware of any terms which appears to be unusual.

As the Consideration will be settled in cash, there will not be any dilution effect on the shareholding of the Shareholders.

VI. Evaluation of the Consideration

In order to assess the fairness and reasonableness of the Consideration, we have considered various valuation approaches, including the P/E ratio and price-to-book ("**P/B**") ratio, which are the most widely used and accepted methods for valuing a business. We did not adopt the P/B ratio in our analysis because the valuation of financial service companies generally is not driven by their net asset value but their abilities to generate income streams. Consequently, we have conducted analysis on the P/E ratio of the Target Group with the companies selected. The selected companies are based on the following criteria: (i) companies listed on the Stock Exchange; and (ii) generating segment revenue from the provision of financial services in Hong Kong including securities brokerage and underwriting, which is similar to the principal business of the Target Group. We have identified and made references to 30 companies (the "**Comparable Companies**") and we believe, to our best knowledge, that they are exhaustive. Although, the market capitalisations of the Comparable Companies vary and are different from that of the Target Group, we consider that the Comparable Companies are fair and representative samples for comparison, due to the fact that their principal businesses, industry prospects, financial positions and geographical source of revenue are similar to those of the Target Group. Details of our analysis are set out in the following table:

Stock Code	Company name	Principal Business	Market capitalisation	Net profit	Implied P/E ratio
			(a) (Note 1)	*(b) (Note 2)*	*(c)= (a)/(b)*
			HK$ million	*HK$ million*	*Times*
218	Shenwan Hongyuan (H.K.) Ltd.	Brokerage business, corporate finance business, asset management business, financing and loans business, investment and other business.	3,065.13	184.31	16.63

Stock Code	Company name	Principal Business	Market capitalisation *(a) (Note 1)* *HK$ million*	Net profit *(b) (Note 2)* *HK$ million*	Implied P/E ratio *(c)= (a)/(b)* *Times*
717	Emperor Capital Group Ltd.	Provision of securities, options, futures, insurance & other wealth management products broking services; margin financing & money lending services; placing & underwriting services; corporate finance advisory; & asset management services.	4,138.52	430.25	9.62
376	ReOrient Group Ltd.	Provision of securities brokerage, securities underwriting and placements, and consultancy and advisory services.	13,786.59	N/A	N/A *(Note 5)*
111	Cinda International Holdings Ltd.	Corporate finance, securities broking, commodities and futures broking, financial planning and insurance broking, asset management.	639.92	40.59	15.77
290	China Fortune Financial Group Ltd.	Securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.	538.74	N/A	N/A *(Note 5)*
227	First Shanghai Investments Ltd.	Securities investment, corporate finance and stockbroking, property development, property investment and hotel, direct investment and management.	1,858.85	134.86	13.78
188	Sunwah Kingsway Capital Holdings Ltd.	Investment in securities, stock, options, futures and commodities brokerage, provision of financial advisory services, asset management, money lending and other securities related financial services.	834.82	9.09	91.88 *(Note 4)*

Stock Code	Company name	Principal Business	Market capitalisation *(a) (Note 1)* *HK$ million*	Net profit *(b) (Note 2)* *HK$ million*	Implied P/E ratio *(c)= (a)/(b)* *Times*
510	CASH Financial Services Group Ltd.	Provision of online and traditional brokerage of securities, futures & options, mutual funds & insurance linked investment products; investments of securities & options; provide margin financing, money lending services & corporate finance services.	1,628.94	13.61	119.72 *(Note 4)*
665	Haitong International Securities Group Ltd.	Brokerage, provision of nominee & custodian services, corporate advisory, placing & underwriting, investment management, financing, trading & market making activities, structured products issuance & investment.	24,515.93	2,510.05	9.77
1428	Bright Smart Securities &Commodities Group Ltd.	Provision of financial services, including securities broking, margin financing, commodities and futures broking and bullion trading.	3,925.83	325.48	12.06
952	Quam Ltd.	Securities and futures dealing, placement services, margin financing and money lending, the provision of fund and wealth management services; website management; provision of advisory service; investment holding and securities trading.	1,475.06	24.69	59.74

Stock Code	Company name	Principal Business	Market capitalisation *(a) (Note 1)* *HK$ million*	Net profit *(b) (Note 2)* *HK$ million*	Implied P/E ratio *(c)= (a)/(b)* *Times*
812	Southwest Securities International Securities Ltd.	Futures broking, securities broking and margin financing, corporate finance, wealth management and insurance agency, money lending and proprietary trading.	1,318.26	13.63	96.72 *(Note 4)*
8001	Orient Securities International Holdings Ltd.	Provision of brokerage service; underwriting and placing service; securities and initial public offering financing service; and investment holding.	424.08	26.11	16.25
1788	Guotai Junan International Holdings Ltd.	Dealing and broking, loans and financing activities, corporate finance, asset management, fixed income business and investment holding.	19,310.59	1,013.54	19.05
8098	CL Group (Holdings) Ltd.	Provision of securities, futures and options broking and trading, loan financing service, placing and underwriting services, securities advisory service and investment holding.	446.60	21.09	21.18
993	Huarong International Financial Holdings Ltd	Provision of securities, bullion and forex operations and money lending activities and Pawn Loan and Finance Lease.	7,484.04	139.40	53.69
1031	Kingston Financial Group Ltd.	Provision of securities underwriting and placements, margin and initial public offering financing, securities brokerage, corporate finance advisory services, futures brokerage and asset management services.	42,068.75	1,700.37	24.74

Stock Code	**Company name**	**Principal Business**	**Market capitalisation** *(a) (Note 1)* *HK$ million*	**Net profit** *(b) (Note 2)* *HK$ million*	**Implied P/E ratio** *(c)= (a)/(b)* *Times*
1019	Convoy Financial Holdings Ltd	Provision of IFA business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business.	4,810.32	N/A	N/A *(Note 5)*
1375	Central China Securities Co Ltd.	Brokerages, investment consultancy and financial advisory, securities underwriting and sponsorship, proprietary trading, asset & fund management & direct investment, agency sale of funds,introducing broker for futures companies & financing.	4,962.62	1,658.49 *(Note 6)*	2.99
1776	GF Securities Co., Ltd.	Provision of capital market services focused on serving China's quality SMEs and affluent individuals, provide investment banking, wealth management, trading and institutional client services and investment management.	31,047.57	15,577.20 *(Note 6)*	1.99
6886	Huatai Securities Co., Ltd.	Provision of brokerage and wealth management service, investment banking service, asset management service, investment and trading service, overseas service to individual, institutional and corporate clients.	30,605.89	12,622.31 *(Note 6)*	2.42
231	Ping An Securities Group (Holdings) Ltd.	Property leased for rental; royalty right leasing and trading of goods.	2,245.39	N/A	N/A *(Note 5)*

Stock Code	Company name	Principal Business	Market capitalisation *(a) (Note 1)* *HK$ million*	Net profit *(b) (Note 2)* *HK$ million*	Implied P/E ratio *(c)= (a)/(b)* *Times*
211	Styland Holdings Ltd.	Investment holdings, brokerage, financing, trading of securities, general trading as well as property development and investment.	1,714.73	1.25	1,371.78 *(Note 4)*
64	Get Nice Holdings Ltd.	Provision of securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing, money lending, corporate finance services; property holding and investments in financial instruments.	1,838.60	463.71	3.96
279	Freeman Financial Corporation Ltd.	Provision of securities & futures brokerage services; provision of insurance brokerage and financial planning services; provision of corporate finance advisory services; trading of securities; provision of finance; & investment holding.	6,073.43	N/A	N/A *(Note 5)*
335	Upbest Group Ltd.	Provision of a wide range of financial services including securities broking, futures broking, securities margin financing, money lending, corporate finance advisory, assets management, precious metal trading and also property investment.	2,974.69	518.31	5.74

Stock Code	Company name	Principal Business	Market capitalisation *(a) (Note 1)* *HK$ million*	Net profit *(b) (Note 2)* *HK$ million*	Implied P/E ratio *(c)= (a)/(b)* *Times*
821	Value Convergence Holdings Ltd.	Provision of financial services business comprising securities, futures and options brokering and dealing, provision of initial public offerings, mergers and acquisitions, and other corporate finance related advisory services.	744.39	N/A	N/A *(Note 5)*
619	South China Financial Holdings Ltd.	Securities, commodities, bullion and forex broking and trading; margin financing and money lending; provision of corporate advisory and underwriting services; wealth management; property investment and investment holding	1,040.81	N/A	N/A *(Note 5)*
8123	First China Financial Network Holdings Ltd.	Precious metals spot trading and brokerage services; stock information and research services; research and develop student safety network and electronic student card; securities and futures trading services, corporate finance services and wealth management services.	1,315.39	N/A	N/A *(Note 5)*
8295	Asian Capital Holdings Ltd.	Provision of corporate advisory services and related activities, including investment activities.	2,172.90	112.67	19.29
			(Note 4) **Average**		17.15
			(Note 4) **Median**		14.78
			(Note 4) **Maximum**		59.74
			(Note 4) **Minimum**		1.99
The Target Group *(Note 3)*					13.60

Source: Official website of the Stock Exchange – www.hkex.com.hk

Notes:

(1) Based on the average closing price as quoted on the Stock Exchange from 20 April 2016 to 26 April 2016, being the five trading days prior to the date of the SP Agreement, of the respective Comparable Companies.

(2) Based on audited profits attributable to the owners as disclosed in the latest annual report of the respective Comparable Companies.

(3) Calculation is based on the Consideration for acquisition of 44% equity interest of the Target of approximately HK$35.2 million and the aggregate audited net profit of the Target Group of approximately HK$5.88 million for the year ended 31 March 2016.

(4) These companies (the "**Extremities**") have been excluded from our calculation of maximum, minimum, median and average for analysis purpose as each of their P/E ratio represents at least 5 times of the median of the Comparable Companies (i.e. 16.44 times), which we consider is extraordinary and not relevant for comparison.

(5) Given losses were incurred by these companies for the respective financial year, calculation of P/E ratio was not applicable.

(6) Annual reports of these companies are presented in Renminbi and it is translated to Hong Kong dollar at exchange rate of 1.18 for the purpose of P/E ratio calculation.

As illustrated in the table above, the P/E ratios of the Comparable Companies (excluding the Extremities) ranges from a minimum of approximately 1.99 times to a maximum of approximately 59.74 times with an average of approximately 17.15 times and a median of approximately 14.78 times. The implied P/E ratios of the Target Group was approximately 13.60 times, which (i) falls within the range of the P/E ratio of the Comparable Companies (the "**Market P/E Range**"); and (ii) is below the average and the median of the P/E ratios of the Comparable Companies. Hence, we are of the opinion that the Consideration is determined based on normal commercial terms, is fair and reasonable as far as the Independent Shareholders are concerned and in interests of the Company and the Shareholders as a whole.

VII. Possible financial effects of the Acquisition

Earnings

Upon Completion, the Target will become a non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated accounts of the Group. We note that the Target Group recorded net profit for the latest three financial years, and therefore the Acquisition is expected to bring additional income stream and positive effect on earnings upon Completion.

Working capital

Given the Consideration in an amount of HK$35.20 million will be settled in cash through internal resources, the cash position and the working capital of the Company are expected to decrease. According to the 2015 Annual Report, the Group has cash and bank balances of approximately HK$69.56 million. In addition, the Group has completed open offer with net proceeds of approximately HK$17.50 million in April 2016. Having considered (i) the cash position as at 31 December 2015 and the net proceeds from the open offer completed in April 2016; and (ii) the profitable track record of the Target Group over the past three financial years, we consider that the cash settlement of the Consideration and the Acquisition will not materially affect the cash position and the working capital of the Group.

Net assets value

The audited net assets of the Target Group as at 31 March 2016, based on its audited accounts for the year ended 31 March 2016, amounted to approximately HK$54.12 million. As referred to in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular, the net assets of the Enlarged Group would be increased to approximately HK$376.67 million.

The actual financial effect of the Acquisition to the Group upon Completion will only be ascertained based on the financial positions of the Target Group on the completion date.

Based on the aforementioned financial effects of the Acquisition on the Group, in particular, the additional income stream and positive effect on earnings to the Group and the impact on working capital and net assets of the Group upon Completion, we consider that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having taken into account (i) the profitable track record of the Target Group and its future prospects of the business; (ii) the basis of determination of Consideration of the Target Group; and (iii) the reasons and benefits of the Acquisition, we are of the view that, although the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the SP Agreement and the Acquisition are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders and the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming SGM to approve the SP Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
INCU Corporate Finance Limited
Gina Leung
Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCU Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. She has over 20 years of experience in the corporate finance industry and has participated in the provision of independent financial advisory services for various transactions involving companies listed in Hong Kong.

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the year ended 31 December 2013, the year ended 31 December 2014 and the year ended 31 December 2015, together with accompanying notes have been published in the annual reports of the Company for the year ended 31 December 2013 (pages 34 to 96), the year ended 31 December 2014 (pages 41 to 152) and the year ended 31 December 2015 (pages 51 to 180). The unaudited consolidated financial statements of the Group for the three months ended 31 March 2016 together with accompanying notes have been published in the first quarterly report of the Company for the three months ended 31 March 2016 (pages 3 to 16). The said annual reports and quarterly report of the Company are available on the Company's website at www.chinademeter.com and the website of the Stock Exchange at www.hkexnews.hk.

2. INDEBTEDNESS

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, apart from intra-group liabilities and normal trade and other payables, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

As at the close of business on 31 May 2016, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Target Group had outstanding borrowings of HK$5,139,000 comprising (i) secured bank borrowings HK$3,139,000 and (ii) amount due to director of HK$2,000,000.

The secured bank borrowings were secured by personal guarantee executed by director of a member of the Target Group.

The amount due to a director is unsecured, interest free and repayable on demand.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2016, the Enlarged Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, in the absence of unforeseeable circumstance, the Enlarged Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial and trading position of the Group since 31 December 2015, being the date on which the latest published audited financial statements of the Company were made up.

As disclosed in the first quarterly report 2016 of the Company, among other things, the Company recorded a gross profit for the three months ended 31 March 2016 ("**2016Q1**") of approximately HK$3,422,000, a decrease as compared with that of approximately HK$4,805,000 for the corresponding period in 2015, and a net profit attributable to owners of the Company of approximately HK$2,054,000 for 2016Q, a decrease as compared with that of approximately HK$13,094,000 for the corresponding period in 2015. As disclosed in the first quarterly report 2016 of the Company, such decrease in profit was mainly attributable to decrease in the fair value gain of financial assets through profit or loss and decrease in loan interest income in 2016Q1 as compared with that for the corresponding period in 2015. Nonetheless, the Company recorded an increase of 13.1% in the revenue of the Group from continuing operations for 2016Q1 of approximately HK$10,526,000 as compared with that for the corresponding period in 2015. The Directors consider that, given that the financial results for 2016Q1 only reflects the Group's performance on the first quarter of the financial year, and with the Group's solid foundation in its existing businesses and extensive experience of a professional management team, the Group is well positioned to achieve better results and further enhance its market position, and that such reduction of profit would not constitute a material adverse change in the financial and trading position of the Group.

5. BUSINESS PROSPECTS

Trading and financial prospects of the Enlarged Group

The Group will focus efforts on expanding its securities investment, trading and related business and food and beverage business. The Group is optimistic about the food and beverage market and will take a flexible and cautious approach to the operation of this segment by formulating effective business strategies to keep pace with the latest market trend and actively exploring new business opportunities so as to sustain favorable profits for the Group. With the ambition to grasp the opportunities arisen from the financial markets, the Target Group is always finding ways to widen its business scope. SFC license for advising on securities (Type 4 regulated activity under the SFO) was granted to the Target Subsidiary in 2015; while the SFC license for asset management (Type 9 regulated activity under the SFO) was granted to the Target Subsidiary on 29 June 2016. Upon Completion, the Acquisition will enable the Enlarged Group to broaden its business by tapping into sector of dealing and advising on securities listed in Hong Kong. Having considered (i) the opportunities arisen from the coming Shenzhen and Hong Kong stock connect scheme; and (ii) that the Target Group is equipped with experience in the industry, the Directors are of the view the Acquisition represents an opportunity for the Group to diversify from its existing business to a broader business base which will meet the Group's business development objectives. Upon Completion, members of the Target Group will become the subsidiaries of the Company and it is expected synergetic advertising effect will be created. Being a subsidiary of a listed company in Hong Kong will be a positive factor in promoting the financial services of the Target Group in Hong Kong.

The Company announced on 12 October 2015 that the Company has conditionally agreed to dispose of its 55% equity interest in Zhao Hui, a company incorporated in the British Virgin Islands which together with its subsidiaries is principally engaged in milk formula processing, production and related business and an operator of a diary manufacturing plant in Victoria, Australia. Completion of such disposal took place on 10 December 2015 and the Company ceased to have any equity interest in Zhao Hui and its subsidiaries. The Board is of the view that such disposal represents an opportunity to realise the investment of the Company and strengthen the cash position of the Group.

To provide the Company with a better identification and to strengthen the Company's corporate image, the Company has changed its English name from "Oriental Unicorn Agricultural Group Limited" to "China Demeter Investments Limited" and its secondary name in Chinese from "東麟農業集團有限公司" to "中國神農投資有限公司". The Company is of the view that such change in company name will reflect and emphasise the expansion of the Group's business focus from feedstock products and animal husbandry businesses to other investment areas.

The Group is committed to reinforcing its intrinsic strength and reinforce its strength by identifying potential investment opportunities in the market to grasp any potential business opportunities and expand its business scopes, in order to add new impetus to the Group. In addition, based on its foresight of various business markets, the Group will allocate more resources to the business with sustainable growth potential, and implement development strategy in a timely manner, such as disposal of loss-making business due to the uncertainties of the market. The Board is of the view that with the Group's solid foundation and extensive experience of a professional management team, it is well positioned to achieve better results and further enhance its market position, thus creating more fruitful returns for the Shareholders.

6. EFFECT OF THE ACQUISITION

Upon Completion, the Target shall be owned as to 51% by the Company, and each of the Target and the Target Subsidiary shall become a non-wholly owned subsidiary of the Company.

As at 31 December 2015, the audited consolidated total assets and total liabilities of the Group amounted to approximately HK$362,594,000 and HK$10,948,000 respectively.

Assets

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular which has been prepared as if the Acquisition had been completed on 31 December 2015, upon Completion, the unaudited pro forma consolidated total assets of the Enlarged Group would increase to approximately HK$451,431,000.

Liabilities

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular which has been prepared as if the Acquisition had been completed on 31 December 2015, upon Completion, the unaudited pro forma consolidated total liabilities of the Enlarged Group would increase to approximately HK$74,765,000.

Earnings

Immediately after Completion, the financial results of the Target Group will be consolidated with those of the Group and the earnings of the Enlarged Group is expected to increase.

7. EVENTS AFTER 31 DECEMBER 2015 BEING THE DATE ON WHICH THE LATEST PUBLISHED AUDITED CONSOLIDATED ACCOUNTS OF THE GROUP WERE MADE UP

(1) As disclosed in the circular of the Company dated 11 January 2016, the Company proposed, among other matters a reorganisation of the share capital of the Company ("**Capital Reorganisation**"), which involved (i) the consolidation of every 5 issued and unissued then shares of par value of HK$0.01 each in the share capital of the Company into 1 consolidated share ("**Consolidated Share**") of par value of HK$0.05 each; (ii) the reduction of the par value of each of the then issued Consolidated Shares from HK$0.05 to HK$0.01 by cancelling the paid-up capital to the extent of HK$0.04 on each of the then issued Consolidated Shares; and (iii) the sub-division of each of the then authorised but unissued Consolidated Shares of par value of HK$0.05 each into 5 new shares of par value of HK$0.01 each. As disclosed in the announcement of the Company dated 3 February 2016, the Capital Reorganisation became effective on 4 February 2016.

(2) As disclosed in the announcement of the Company dated 23 February 2016 and the prospectus of the Company dated 18 March 2016, the Company proposed the issue of not less than 197,265,375 offer shares and not more than 209,355,375 offer shares by way of open offer at the subscription price of HK$0.10 per offer share on the basis of two offer shares for every one existing share in issue on 17 March 2016. As disclosed in the announcement of the Company dated 13 April 2016, completion of the open offer took place on 14 April 2016 and an aggregate of 197,265,375 shares of the Company were issued and allotted accordingly and net proceeds of approximately HK$17.5 million were raised.

(1) ACCOUNTANTS' REPORT ON THE TARGET GROUP

The following is the text of a report received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Circular.

HLB 國衛會計師事務所有限公司 Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

11 July 2016

The Directors
China Demeter Investments Limited

Dear Sirs,

We set out below our report on the financial information (the ''Financial Information'') regarding Profit Network Asia Inc. (the ''Target'') and its subsidiary (hereinafter collectively referred to as the ''Target Group'') for each of the years ended 31 March 2014, 2015 and 2016 (the ''Relevant Periods''), for inclusion in the circular of China Demeter Investments Limited (the ''Company'') dated 11 July 2016 (the ''Circular'') in connection with the proposed acquisition by Golden Harvest Holdings Limited, an indirect wholly-owned subsidiary of the Company, of 44% of the issued share capital of the Target.

The Target was incorporated in the British Virgin Islands (''BVI'') with limited liability on 28 September 2015. The registered office and principal place of business of the Target are 263 Main Street, Road Town, Tortola, BVI and 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong respectively. The principal activity of the Target is investment holding.

Through a group reorganisation (the ''Group Reorganisation'') as more fully explained in the ''Group reorganisation and basis of preparation of financial information'' as set out in note 2 to Section A below, the Target became the holding company of China Demeter Securities Limited now comprising the Target Group on 4 January 2016.

As at the date of this report, the Target has direct interest in the following subsidiary:

Name of subsidiary	Place and date of incorporation	Issued and fully paid share capital	Attributable equity interest held	Principal activities
China Demeter Securities Limited (formerly known as Trinity Finance Investment Limited) (the "Target Subsidiary")	Hong Kong, 27 January 2010	HK$60,000,000	100% (direct)	Advising and dealing in securities

All companies now comprising the Target Group have adopted 31 March as its financial year end date.

No statutory audited financial statements have been prepared for the Target since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Target has not carried on any business other than those transactions relating to the Group Reorganisation.

The statutory audited financial statements of the Target Subsidiary for the years ended 31 March 2014 and 2015 were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by Maurice Fong & Company, Certified Public Accountants, Hong Kong.

For the purpose of this report, the directors of the Target have prepared the consolidated financial statements of the Target Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with HKFRSs issued by the HKICPA. We have undertaken an independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Target Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements. No adjustments were considered necessary by the directors of the Target to the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Target who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Target Group as at 31 March 2014, 2015 and 2016, and of its financial performance and cash flows of the Target Group for the Relevant Periods.

A. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	**Year ended 31 March 2014** *HK$'000*	**Year ended 31 March 2015** *HK$'000*	**Year ended 31 March 2016** *HK$'000*
Revenue	*8*	26,365	21,998	27,502
Other income	*9*	23	17	16
General and administrative expenses		(8,336)	(13,367)	(19,795)
Change in fair value of financial asset through profit or loss		1	636	27
Change in fair value of derivative financial instrument		–	–	10
Finance costs	*10*	(145)	(42)	(350)
Profit before tax	*11*	17,908	9,242	7,410
Income tax expense	*12*	(2,943)	(1,502)	(1,526)
Profit and total comprehensive income for the year		14,965	7,740	5,884

Details of dividends are disclosed in note 14 to the Financial Information.

Consolidated Statements of Financial Position

	Notes	At 31 March 2014 HK$'000	At 31 March 2015 HK$'000	At 31 March 2016 HK$'000
Non-current assets				
Property, plant and equipment	*16*	27	1,834	1,388
Intangible asset	*17*	500	500	500
Other assets	*18*	275	275	275
Deferred tax assets	*28*	43	–	–
		845	2,609	2,163
Current assets				
Trade receivables	*19*	31,207	48,035	60,132
Deposits, prepayments and other receivables	*20*	884	1,510	1,824
Financial assets at fair value through profit or loss	*21*	4	60	917
Cash and bank balances				
– General accounts and cash	*22*	32,004	19,767	3,745
– Trust accounts	*22*	67,626	60,536	54,584
Tax recoverable		–	1,638	–
		131,725	131,546	121,202
Current liabilities				
Trade payables	*23*	87,803	76,297	55,313
Other payables and accruals		209	165	204
Derivative financial instruments	*24*	–	–	5
Amount due to immediate holding company	*25*	–	–	1
Amount due to a director	*26*	–	–	2,000
Bank borrowings	*27*	–	8,350	11,493
Current tax liabilities		3,044	–	192
		91,056	84,812	69,208

	Notes	At 31 March 2014 HK$'000	At 31 March 2015 HK$'000	At 31 March 2016 HK$'000
Net current assets		40,669	46,734	51,994
Total assets less current liabilities		41,514	49,343	54,157
Non-current liabilities				
Deferred tax liabilities	28	–	89	34
Net assets		41,514	49,254	54,123
Capital and reserves				
Share capital	29	30,000	30,000	5
Reserves	30	11,514	19,254	54,118
Total equity		41,514	49,254	54,123

Consolidated Statements of Changes in Equity

	Share capital	Special reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 29)	*(Note 30)*		
Balance at 1 April 2013	30,000	–	359	30,359
Profit and total comprehensive income for the year	–	–	14,965	14,965
Payment of dividends	–	–	(3,810)	(3,810)
Balance at 31 March 2014	30,000	–	11,514	41,514
Profit and total comprehensive income for the year	–	–	7,740	7,740
Balance at 31 March 2015	30,000	–	19,254	49,254
Profit and total comprehensive income for the year	–	–	5,884	5,884
Issue of ordinary shares	5	–	–	5
Bonus issue of shares of a subsidiary *(Note 29)*	30,000	–	(30,000)	–
Group Reorganisation *(Note 2)*	(60,000)	60,000	–	–
Payment of dividends	–	–	(1,020)	(1,020)
Balance at 31 March 2016	5	60,000	(5,882)	54,123

Consolidated Statements of Cash Flows

	Notes	Year ended 31 March 2014 HK$'000	Year ended 31 March 2015 HK$'000	Year ended 31 March 2016 HK$'000
Cash flows from operating activities				
Profit before tax		17,908	9,242	7,410
Adjustments for:				
Finance costs		145	42	350
Interest income		(1,488)	(2,515)	(4,039)
Depreciation of property, plant and equipment		370	552	569
Impairment loss recognised on trade receivables		–	–	1,970
Change in fair value of financial assets through profit or loss		(1)	(636)	(27)
Change in fair value of derivative financial instruments		–	–	(10)
		16,934	6,685	6,223
Movements in working capital				
Increase in other assets		(45)	–	–
Decrease/(increase) in trade receivables		13,942	(16,828)	(14,067)
Increase in deposits, prepayments and other receivables		(482)	(626)	(314)
(Increase)/decrease in financial assets at fair value through profit or loss		(3)	580	(830)
(Increase)/decrease in trust accounts		(14,505)	7,090	5,952
Increase/(decrease) in trade payables		11,556	(11,506)	(20,984)
(Decrease)/increase in other payables and accruals		(97)	(44)	39
Increase in derivative financial instruments		–	–	15
Increase in amount due to immediate holding company		–	–	1
Increase in amount due to a director		–	–	2,000
Cash generated from/(used in) operations		27,300	(14,649)	(21,965)
Interest received		1,475	2,498	4,023
Interest paid		(5)	(6)	(6)
Income tax (paid)/refunded		–	(6,052)	249

	Notes	Year ended 31 March 2014 HK$'000	Year ended 31 March 2015 HK$'000	Year ended 31 March 2016 HK$'000
Net cash generated from/(used in) operating activities		28,770	(18,209)	(17,699)
Cash flows from investing activities				
Interest received		13	17	16
Payments for property, plant and equipment		(21)	(2,359)	(123)
Net cash used in investing activities		(8)	(2,342)	(107)
Cash flows from financing activities				
Interest paid		(140)	(36)	(344)
Issue of ordinary shares		–	–	5
Proceeds from bank borrowings		–	9,000	23,172
Repayment of bank borrowings		–	(650)	(20,029)
Repayment of other borrowing		(20,000)	–	–
Dividends paid		(3,810)	–	(1,020)
Net cash (used in)/generated from financing activities		(23,950)	8,314	1,784
Net increase/(decrease) in cash and cash equivalents		4,812	(12,237)	(16,022)
Cash and cash equivalents at the beginning of year		27,192	32,004	19,767
Cash and cash equivalents at the end of year		32,004	19,767	3,745
Analysis of the balances of cash and cash equivalents				
Cash and bank balances	*22*	32,004	19,767	3,745

NOTES TO THE FINANCIAL INFORMATION

1. General information

The Target was incorporated in the BVI with limited liability on 28 September 2015. The addresses of the registered office and principal place of business of the Target are 263 Main Street, Road Town, Tortola, BVI and 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong respectively.

In the opinion of the directors of the Target, the immediate holding company which is also the ultimate holding company of the Target is Trinity Worldwide Capital Holding Limited ("Trinity Worldwide"), a company incorporated in the BVI and is wholly owned by Mr. Ng Ting Kit ("Mr. Ng"), the controlling shareholder of the Target Group (the "Controlling Shareholder").

The Target is an investment holding company and the principal activities of the Target Group are advising and dealing in securities.

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

2. Group reorganisation and basis of preparation of financial information

The Target Subsidiary was incorporated in Hong Kong with limited liability on 27 January 2010. The principal activities of the Target Subsidiary are advising and dealing in securities. The Target Subsidiary 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 the Securities and Future Ordinance.

Pursuant to the special resolution passed by the shareholder on 26 February 2016, the name of the Target Subsidiary in English was changed from "Trinity Finance Investment Limited" to "China Demeter Securities Limited" and the second name of the Company in Chinese from "利宏金融投資有限公司" to "國農證券有限公司". The certificate of change of name was issued by the Registrar of Companies in Hong Kong on 4 March 2016.

Prior to the Group Reorganisation, the Target Subsidiary is wholly-owned by Mr. Ng, the Controlling Shareholder through its holding company, Trinity Worldwide.

On 4 January 2016, Trinity Worldwide transferred the entire equity interest in the Target Subsidiary to the Target at a consideration of HK$1. Since then, the Target become the holding company of the Target Subsidiary.

Accordingly, for the purpose of the preparation of the Financial Information of the Target Group, the Target has been considered as the holding company of the companies now comprising the Target Group throughout the Relevant Periods. The Target Group comprising the Target and its subsidiary, the Target Subsidiary resulting from the Group Reorganisation is regarded as a continuing entity. The Target Group was under the control of Mr. Ng prior to and after the Group Reorganisation.

The Financial Information has been prepared as if the Target had been the holding company of the Target Group throughout the Relevant Periods in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Relevant Periods, which include the results, changes in equity and cash flows of the companies now comprising the Target Group, have been prepared as if the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation where this is a shorter period. The consolidated statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Target Group as if the current group structure had been in existence at those dates.

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

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Target Group has adopted Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the Target Group's annual accounting period beginning on 1 April 2015 throughout the Relevant Periods.

At the date of this report, the HKICPA has issued the following new standards and amendments to standards that are not yet effective. The Target Group has not early adopted these new standards and amendments to standards.

Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[1]
HKFRS 9 (2014)	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
HKFRS 16	*Leases*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[1]

1 *Effective for annual periods beginning on or after 1 January 2016*

2 *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016*

3 *Effective for annual periods beginning on or after 1 January 2018*

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

5 *Effective for annual periods beginning on or after 1 January 2019*

Except as disclosed below, the application of the new standards and amendments to standards issued but not yet effective has had no material impact on the Target Group's financial performance and positions and/or the disclosures when they became effective.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Target anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Target Group performs a detailed review.

4. Significant accounting policies

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 below.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets.*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Financial information incorporates the financial statements of the Target and entity controlled by the Target. Control is achieved when the Target Company:

- as power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Target Group's accounting policies.

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

Merger accounting for business combination involving entities under common control

The Financial Information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the ordinary course of business. The Target Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below.

Commission from securities dealing are recognised on the transaction date when the relevant contracts are executed.

Placing and underwriting commission are recognised in accordance with the terms of the underlying agreements or deal mandates when the relevant significant acts have been completed (i.e. when shares are allotted).

Clearing and handling fee income are recognised when the services have been rendered;

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

Leasing

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

The Target Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

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

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

Leasehold improvements	20%
Furniture and fixtures	25%
Computers and office equipment	25%
Motor vehicle	25%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Intangible assets

Trading rights

Trading rights, being the eligibility rights to trade on or through the Stock Exchange, with indefinite useful lives are stated at cost (or deemed cost) less any accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

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

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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

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

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Target Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statements of profit or loss and other comprehensive income.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including trade payables, other payables and accruals, amount due to immediate holding company, amount due to a director and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Target Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control of the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. Key sources of estimation uncertainty

In the application of the Target Group's accounting policies, which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of intangible asset

The policy for impairment of intangible asset of the Target Group is based on an evaluation of their recoverable amount with reference to the expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Target Group's advising and dealing in securities business. If the recoverable amount is less than the carrying amount of the intangible asset, impairment may be required. At 31 March 2014, 2015 and 2016, the carrying amount of intangible asset was HK$500,000.

Impairment of trade receivables

The Target Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables. Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates based on the credit history of the clients and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the period in which such estimate has been changed. At 31 March 2014, 2015 and 2016, the carrying amount of trade receivables were approximately HK$31,207,000, HK$48,035,000 and HK$60,132,000 respectively, net of allowance of impaired debts of approximately HK$nil, HK$nil and HK$1,970,000 respectively.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Target Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in provision of services, or from a change in the market demand for the product or service output of an asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Target Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period, based on changes in circumstances.

6. Capital risk management

The Target Group's objectives when managing capital is to safeguard the Target Group's ability to continue a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Target Group's overall strategy remains unchanged throughout the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes amount due to immediate holding company, amount due to a director and bank borrowings disclosed in notes 25, 26 and 27 respectively, net of cash and cash equivalents and equity attributable to owners of the Target, comprising issued share capital and retained profits/(accumulated losses).

The Target Subsidiary is licensed with the Securities and Futures Commission ("SFC") for the business it operates in. The Target Subsidiary is subject to liquid capital requirements under Securities and Futures (Financial Resources) Rules ("SF(FR)R") adopted by the SFC. Under SF(FR)R, the Target Subsidiary must maintain a liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK$3 million or 5% of its total adjusted liabilities, whichever is higher. Management closely monitors, on a daily basis, the liquid capital level of the licensed subsidiary to ensure compliance with the requirements under the SF(FR)R.

The Target Group's risk management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risk associated with capital. The management will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

7. Financial instruments

(a) Categories of financial instruments

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Fair value through profit or loss:			
Held for trading	4	60	917
Loans and receivables			
Other assets	275	275	275
Trade receivables	31,207	48,035	60,132
Deposits and other receivables	632	1,138	1,577
Cash and bank balances	99,630	80,303	58,329
Financial liabilities			
Derivative financial instruments	–	–	5
Financial liabilities at amortised cost:			
Trade payables	87,803	76,297	55,313
Other payables and accruals	209	165	204
Amount due to immediate holding company	–	–	1
Amount due to a director	–	–	2,000
Bank borrowings	–	8,350	11,493

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include financial assets at fair value through profit or loss, other assets, trade receivables, deposits and other receivables, cash and bank balances, trade payables, other payables and accruals, derivative financial instruments, amount due to immediate holding company, amount due to a director and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Foreign currency risk management

During the Relevant Periods, the majority of the Target Group's transactions and balances as at and for the Relevant Periods were denominated in Hong Kong dollars. Accordingly, the directors of the Target consider that the currency risk is not significant. The Target Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk management

The Target Group is exposed to cash flow interest rate risk in relation to its variable-rate trade receivables, bank balances and bank borrowings.

Changes in market interest rates may affect the Target Group's securities margin financing business and the Target Group mitigates this risk by revising the margin financing rate as and when appropriate.

Interest rates on bank deposits are relatively low and not expected to change significantly.

Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates and considers the risk is insignificant to the Target Group.

The Target Group currently does not have a policy on hedges of interest rate risk. However, the management monitors interest-rate exposure and will consider the hedging significant interest-rate exposures should the need arise.

Interest rate sensitivity analysis

The sensitivity analysis below has been prepared based on the exposure to interest rates for bank borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial years and held constant throughout the respective reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rate.

If interest rate had been of 50 basis points higher/lower and all other variables held constant, the Target Group's profit before taxation would decrease/increase by approximately HK$nil, HK$42,000 and HK$57,000 for the years ended 31 March 2014, 2015 and 2016 respectively. In management's opinion, the sensitivity analysis is unrepresentative of the interest rate risk as the year end exposure does not reflect the exposure during the year.

(ii) Credit risk management

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

In order to minimise the credit risk, the management of the Target Group has delegated a team responsible for determination of trading limits, trading approvals and other monitoring procedures to ensure that follow-up action is taken to recover outstanding balances. In addition, the Target Group reviews the recoverable amount of each individual receivable at the end of each of the Relevant Periods to ensure that adequate impairment losses are made for irrecoverable amounts. Margin calls are made when the outstanding balances due from clients exceed their respective limits with consideration of the quality, liquidity and price volatility of individual stock, and the transaction history and credibility of the clients. Failure to meet margin calls may result in the prohibition of further purchase of securities or liquidation of the client's positions on a case-by-case basis. In this regard, the management consider that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Group does not have any other significant concentration of credit risk.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Target, which has built an appropriate liquidity risk management framework to meet the Target Group's short, medium and long-term funding and liquidity management requirements. The Target Group manages liquidity risk by maintaining adequate reserves and banking facilities.

Liquidity tables

The following tables detail the Target Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay.

	Weighted average interest rate	On demand or within one year	Over one year	Total undiscounted cash flows	Total carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2014					
Non-derivative financial liabilities					
Trade payables	–	87,803	–	87,803	87,803
Other payables and accruals	–	209	–	209	209
		88,012	–	88,012	88,012

	Weighted average interest rate	On demand or within one year *HK$'000*	Over one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amount *HK$'000*
At 31 March 2015					
Non-derivative financial liabilities					
Trade payables	–	76,297	–	76,297	76,297
Other payables and accruals	–	165	–	165	165
Bank borrowings	2.75%	8,350	–	8,350	8,350
		84,812	–	84,812	84,812
At 31 March 2016					
Non-derivative financial liabilities					
Trade payables	–	55,313	–	55,313	55,313
Other payables and accruals	–	204	–	204	204
Amount due to immediate holding company	–	1	–	1	1
Amount due to a director	–	2,000	–	2,000	2,000
Bank borrowings	2.75%-2.86%	11,493	–	11,493	11,493
		69,011	–	69,011	69,011
Derivative financial liabilities					
Derivative financial instruments		5	–	5	5

(c) Fair value measurements of financial instruments

The Target Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Financial instruments measured at fair value

	At 31 March 2014 *HK$'000*	**At 31 March 2015** *HK$'000*	**At 31 March 2016** *HK$'000*
Financial assets included in Level 1:			
Financial assets at fair value through profit or loss *(Note 21)*	4	60	917
Financial liabilities included in Level 1:			
Derivative financial instruments *(Note 24)*	–	–	5

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The directors of the Target consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate to their fair values.

8. Revenue and segment information

HKFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the directors of the Target, being the chief operating decision maker, for the purpose of resources allocation and performance assessment. On this basis, the Target Group has determined that it only has one operating segment which is the provision of advising and dealing in securities. Since this is the only operating segment of the Target Group, no further analysis for segment information is presented.

Revenue from major services

The Target Group's revenue from its major services were as follows:

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Commission from securities dealing	15,838	9,352	9,734
Placing and underwriting commission	8,223	9,345	13,443
Commission from initial public offering financing	28	7	2
Clearing and handling fee income	801	796	300
Interest income from securities	1,475	2,498	4,023
	26,365	21,998	27,502

Geographical information

The Target Subsidiary, the operating subsidiary of the Target Group, is incorporated in Hong Kong with the Target Group's operation located in Hong Kong. All of the Target Group's revenue from external customers during the Relevant Periods are derived from Hong Kong. All the non-current assets of the Target Group are located in Hong Kong. Therefore, no further analysis of geographical information is presented.

Information about major customers

Revenue from customers contributing over 10% of the Target Group's total revenue during the Relevant Periods are as follows:

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Customer A	3,653	N/A[1]	N/A[1]
Customer B	N/A[1]	2,936	N/A[1]
Customer C	N/A[1]	N/A[1]	6,070

1 The corresponding revenue did not contribute over 10% of the Target Group's total revenue.

9. Other income

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Interest income from authorised financial institutions	13	17	16
Sundry income	10	–	–
	23	17	16

10. Finance costs

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Interest expense on:			
– bank borrowings wholly repayable within five year	–	36	344
– others	145	6	6
	145	42	350

11. Profit before tax

	Year ended 31 March 2014 *HK$'000*	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*
Profit before tax has been arrived at after charging:			
Auditors' remuneration	80	80	110
Commission expenses *(Note (i))*	661	1,374	2,443
Depreciation of property, plant and equipment	370	552	569
Impairment loss on trade receivables	–	–	1,970
Net foreign exchange losses	–	1	4
Operating lease payments in respect of rented office premises *(Note (ii))*	597	1,943	2,019
Employee benefits expense:			
Salaries and other benefits	4,328	5,156	8,862
Contributions to retirement benefit scheme	99	149	185
Total employee benefits expense, including directors' emoluments *(Note 13)*	4,427	5,305	9,047

Notes:

(i) Amounts excluded commission expenses paid to employees of the Target Group of approximately HK$1,432,000, HK$33,000 and HK$5,000 during the years ended 31 March 2014, 2015 and 2016 respectively which were included in "Salaries and other benefits" disclosed above.

(ii) Amounts excluded director's quarter of approximately HK$nil, HK$1,650,000 and HK$1,800,000 during the years ended 31 March 2014, 2015 and 2016 respectively which were included in "Salaries and other benefits" disclosed above.

12. Income tax expense

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
– Hong Kong Profits Tax	2,998	1,370	1,581
Deferred tax *(Note 28):*	(55)	132	(55)
	2,943	1,502	1,526

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in or derived from Hong Kong for the Relevant Periods.

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

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Profit before tax	17,908	9,242	7,410
Tax at Hong Kong Profits Tax rate of 16.5%	2,955	1,525	1,223
Tax effect of expenses not deductible for tax purpose	–	–	325
Tax effect of income not taxable for tax purpose	(2)	(3)	(2)
Tax reduction	(10)	(20)	(20)
Income tax expense for the year	2,943	1,502	1,526

13. Directors' and employees' emoluments

(a) *Directors' emoluments*

Details of the emoluments paid or payable to the directors of the Target during the Relevant Periods are as follows:

		Other emoluments			
	Fees	Salaries and other benefits in kind	Discretionary bonuses	Contributions to retirement benefit scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 March 2014					
Mr. Ng	–	–	–	–	–
Mr. Yip Kai Pong ("Mr. Yip")	–	378	78	15	471
	–	378	78	15	471
For the year ended 31 March 2015					
Mr. Ng	–	1,650	–	–	1,650
Mr. Yip	–	410	100	18	528
	–	2,060	100	18	2,178
For the year ended 31 March 2016					
Mr. Ng	–	2,650	2,000	17	4,667
Mr. Yip	–	488	120	18	626
	–	3,138	2,120	35	5,293

Note:

Mr. Ng and Mr. Yip were appointed as directors of the Target Company effective from 28 September 2015 and 5 January 2016 respectively. They were also directors of the Target Subsidiary and the Target Group paid emoluments to them in their capacity as directors of the Target Subsidiary during the Relevant Periods.

(b) Employees' emoluments

Of the five individuals with the highest emoluments, one, two and two of them are directors of the Target for the years ended 31 March 2014, 2015 and 2016 respectively whose emoluments are disclosed above. The emoluments in respect of the remaining four, three and three individuals for the years ended 31 March 2014, 2015 and 2016 respectively are as follows:

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	2,598	936	886
Discretionary bonuses	476	72	250
Contributions to retirement benefit scheme	51	47	41
Total emoluments	3,125	1,055	1,177

The number of the highest paid employees who are not the directors of the Target whose emoluments fell within the following bands is as follows:

	Number of individuals		
	Year ended 31 March 2014	**Year ended 31 March 2015**	**Year ended 31 March 2016**
Nil to HK$1,000,000	3	3	3
HK$1,000,001 to HK$1,500,000	1	–	–
	4	3	3

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of the Target or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors of the Target waived any emoluments during the Relevant Periods.

14. Dividends

No dividend has been paid or declared by the Target since its incorporation. Prior to the Group Reorganisation, the Target Subsidiary have declared dividends to its then equity owner, Trinity Worldwide as follows:

	Year ended 31 March 2014	**Year ended 31 March 2015**	**Year ended 31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*
Dividends recognised as distribution	3,810	–	1,020

The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

15. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

16. Property, plant and equipment

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer and office equipment *HK$'000*	Motor vehicle *HK$'000*	Total *HK$'000*
Cost					
Balance at 1 April 2013	325	52	881	–	1,258
Additions	–	–	21	–	21
Balance at 31 March 2014	325	52	902	–	1,279
Additions	990	322	301	746	2,359
Disposals	(325)	(46)	–	–	(371)
Balance at 31 March 2015	990	328	1,203	746	3,267
Additions	10	29	84	–	123
Balance at 31 March 2016	1,000	357	1,287	746	3,390
Accumulated depreciation					
Balance at 1 April 2013	193	39	650	–	882
Depreciation expense	132	13	225	–	370
Balance at 31 March 2014	325	52	875	–	1,252
Depreciation expense	198	80	87	187	552
Eliminated on disposals	(325)	(46)	–	–	(371)
Balance at 31 March 2015	198	86	962	187	1,433
Depreciation expense	199	86	94	190	569
Balance at 31 March 2016	397	172	1,056	377	2,002
Carrying amounts					
Balance at 31 March 2014	–	–	27	–	27
Balance at 31 March 2015	792	242	241	559	1,834
Balance at 31 March 2016	603	185	231	369	1,388

17. Intangible asset

	Stock Exchange trading rights
	HK$'000
Cost and carrying amount	
Balance at 1 April 2013 and 31 March 2014, 2015 and 2016	500

Intangible asset comprised the eligibility rights to trade on or through the Stock Exchange. The trading rights have no foreseeable limit to the period over which the Target Group can use to generate net cash flows. As a result, the trading rights are considered by the management as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired.

The trading rights are allocated to the business of advising and dealing in securities as one cash generating unit. The recoverable amount of this cash generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by the management covering a period of 5 years and pre-tax discount rate of 18.5%. Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3%. The discount rates used reflects specific risks relating to the relevant business. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development. The directors of the Target are of the opinion that based on value-in-use calculation, there was no impairment of the trading rights as at 31 March 2014, 2015 and 2016, and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the cash generating unit to exceed its recoverable amount.

18. Other assets

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Deposits with the Stock Exchange			
– Compensation fund	50	50	50
– Fidelity fund	50	50	50
– Stamp duty deposit	75	75	75
Contribution of guarantee fund paid to Hong Kong Securities Clearing Company Limited ("HKSCC")	50	50	50
Admission fee paid to HKSCC	50	50	50
	275	275	275

19. Trade receivables

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables arising from the ordinary course of business of:			
Dealing in securities:			
Clients – cash	10,096	9,189	7,975
Clients – margin	12,167	29,513	53,333
Clearing house	8,944	9,333	794
	31,207	48,035	62,102
Less: Impairment allowance	–	–	(1,970)
	31,207	48,035	60,132

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

The Target Group seeks to maintain strict control over its outstanding receivables in order to minimise credit risk and the overdue balances are regularly reviewed by the management.

Margin clients are required to pledge securities collateral to the Target Group in order to obtain the margin facilities for securities trading. At 31 March 2014, 2015 and 2016, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$290,435,000, HK$168,529,000 and HK$135,015,000 respectively. Management has assessed the market value of the pledged securities of each individual client who has margin shortfall at the end of each reporting period and considered that no impairment allowance is necessary due to credit history of the clients. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors of the Target, the aged analysis does not give additional value in view of the nature of securities margin business.

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

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	18,723	16,145	1,313
Past due but not impaired:			
Less than 1 month	50	922	2,755
1 to 3 months	267	962	1,235
Over 3 months	–	493	1,496
	19,040	18,522	6,799

Receivables that were neither past due nor impaired represent unsettled trades transacted on the last two days prior to the end of each reporting period and it also relate to a wide range of independent clients for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent clients that have a good track record with the Target Group. When cash clients fail to settle on the settlement date, the Target Group has the right to sell the purchased securities of the respective transaction. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the collateral.

Movements in the allowance for impaired debts are as follows:

	At 31 March 2014 *HK$'000*	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*
Balance at the beginning of year	–	–	–
Impairment losses recognised	–	–	1,970
Balance at the end of year	–	–	1,970

At 31 March 2016, impairment allowance of approximately HK$1,970,000 were individually determined and has been made for cash clients with an aggregate outstanding balance of approximately HK$2,580,000. No further impairment allowance is considered necessary for the remaining balances based on the Target Group's evaluation of their collectability.

20. Deposits, prepayments and other receivables

	At 31 March 2014 *HK$'000*	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*
Deposits and other receivables	632	1,138	1,577
Prepayments	252	372	247
	884	1,510	1,824

21. Financial assets at fair value through profit or loss

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Held-for-trading investments			
Equity securities listed in Hong Kong	4	60	917

The fair value of the equity securities listed in Hong Kong is based on closing price in an active market.

22. Cash and bank balances

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Cash and bank balances:			
(i) General accounts and cash	32,004	19,767	3,745
(ii) Trust accounts	67,626	60,536	54,584
	99,630	80,303	58,329
Less: Clients' monies in trust accounts	(67,626)	(60,536)	(54,584)
Cash and cash equivalents	32,004	19,767	3,745

The Target Group maintains trust bank accounts with authorised financial institutions to receive and hold money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more trust bank accounts and bear interest at commercial rate. The Target Group has recognised the corresponding trade payables to respective clients. However, the Target Group currently does not have an enforceable right to offset those payables with the deposits placed.

The general accounts and cash comprise cash held by the Target Group and short-term bank deposits bear interest at commercial rates with an original maturity of three months or less.

23. Trade payables

	At 31 March 2014 *HK$'000*	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities:			
Clients – cash	26,010	40,256	17,731
Clients – margin	47,190	34,614	36,508
Clearing house	14,603	1,427	1,074
	87,803	76,297	55,313

The settlement terms of trade payables arising from the ordinary course of business of dealing in securities are two days after trade date.

Trade payables to cash and margin 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 Target, the aged analysis does not give additional value in view of the nature of business.

At 31 March 2014, 2015 and 2016, the trade payables amounting to approximately HK$67,626,000, HK$60,536,000 and HK$54,584,000 respectively 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 Target Group currently does not have an enforceable right to offset these payables with the deposits placed.

Included in the trade payables of approximately HK$1,568,000, HK$3,117,000 and HK$7,719,000 as at 31 March 2014, 2015 and 2016 respectively are amounts due to directors, which are of trade nature.

24. Derivative financial instruments

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Call options in listed equity securities	–	–	5

Call options represents right to purchase listed equity securities with predetermined prices on maturity. Duration of these contracts ranges from 1 to 2 months.

The fair values of the call and put options were determined based on quoted market premium prices.

25. Amount due to immediate holding company

The amount due is unsecured, interest-free and repayable on demand.

26. Amount due to a director

The amount due is non-trade nature, unsecured, interest-free and repayable on demand.

27. Bank borrowings

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Secured			
Variable rate borrowings	–	8,350	11,493
Classified as:			
Current	–	8,350	11,493

Notes:

(i) Bank borrowings of approximately HK$nil, HK$8,350,000 and HK$11,493,000 as at 31 March 2014, 2015 and 2016 respectively contain a repayable on demand clauses and have been classified in total as current liabilities.

(ii) The borrowings of the Target Group carry interest rate at 2.75% per annum and ranged from 2.75% to 2.86% per annum as at 31 March 2015 and 2016 respectively.

(iii) The banking facilities and revolving loan facility granted by certain banks were secured by the followings:

– certain securities collateral deposited by the Target Group's margin clients as disclosed in note 32; and

– personal guarantee executed by Mr. Ng to the extent of HK$39,000,000.

(iv) At 31 March 2015 and 2016, the Target Group had undrawn amounts under these banking and overdraft facilities of approximately HK$30,000,000 and HK$22,401,000 respectively.

28. Deferred taxation

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the Relevant Periods:

	Accelerated tax depreciation *HK$'000*
At 1 April 2013	(12)
Credited to profit or loss	55
At 31 March 2014	43
Charged to profit or loss	(132)
At 31 March 2015	(89)
Credited to profit or loss	55
At 31 March 2016	(34)

29. Share capital

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 March 2014 and 2015 represents the issued and paid up share capital of the Target Subsidiary.

The Target Subsidiary was incorporated in Hong Kong with limited liability on 27 January 2010 with paid up issued share capital of HK$30,000,000 as at 31 March 2014 and 2015. On 31 December 2015, the share capital of the Target Subsidiary was increased from HK$30,000,000 to HK$60,000,000 by way of bonus issue of 30,000,000 ordinary shares of HK$1 each to the then equity owner, Trinity Worldwide.

The Target was incorporated in the BVI with limited liability on 28 September 2015 and was authorised to issue a maximum of 50,000 shares with a par value of United States Dollar ("US$") 1 each. Upon incorporation, 300 ordinary shares were allotted and issued at US$1 each to the subscriber for cash. On 4 January 2016, an additional 300 ordinary shares were allotted and issued to Trinity Worldwide at US$1 each for cash. On 6 January 2016, Trinity Worldwide disposed 42 ordinary shares of the Target to Golden Harvest Holdings Limited at a consideration of HK$5,600,000.

30. Reserves

Special reserve

Special reserve represents the difference between the cash consideration in exchange for the entire issued share capital of the Target Subsidiary arising from the Group Reorganisation as detailed in note 2.

31. Retirement benefit scheme

The Target Group operates a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the "MPF scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Target Group, in funds under the control of trustees.

For members of the MPF Scheme, the Target Group contributes at the lower of HK$1,250 per month (increased to HK$1,500 per month effective from 1 June 2014) or 5% of relevant payroll costs each month to the MPF Scheme, which contribution is matched by the employee.

The only obligation of the Target Group with respect of the MPF Scheme is to make the specified contributions. The total expenses recognised in the consolidated statements of profit or loss and other comprehensive income amounted to approximately HK$99,000, HK$149,000 and HK$185,000 for the years ended 31 March 2014, 2015 and 2016 respectively and represent contributions paid or payable to the MPF scheme by the Target Group at rates specified in the rules of the scheme.

32. Pledge of assets

At 31 March 2016, securities collateral deposited by the Target Group's margin clients was repledged to a bank to secure the Target Group's bank revolving loan to the extent of HK$7,599,000. The market value of the collateral repledged to the bank as at 31 March 2016 amounted to approximately HK$16,755,000.

33. Commitments

(i) Operating lease commitments

The Target Group as lessee

At the end of each of the Relevant Periods, the Target Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 March 2014	At 31 March 2015	At 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	1,800	3,819	1,976
In the second to fifth years inclusive	1,950	1,976	–
	3,750	5,795	1,976
Plant and equipment			
Within one year	12	21	21
In the second to fifth years inclusive	13	75	54
	25	96	75

Operating leases for land and buildings relate to office premises and director's quarter with lease term ranged from 2 to 3 years and the rentals are fixed throughout the lease term.

Operating lease for plant and equipment relates to office equipment with lease term of 5 years.

(ii) Capital commitments

At the end of each of the Relevant Periods, the Target Group had the following commitments which were not provided for in the Financial Information:

	At 31 March 2014	**At 31 March 2015**	**At 31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*
Authorised and contracted for:			
Plant and equipment	112	4	–

(iii) Other commitments

At 31 March 2016, the Target Group entered into a sub-underwriting agreement with an independent third party in relation to rights issue of shares listed in Hong Kong and had a gross commitment of approximately HK$7,680,000. At 31 March 2014 and 2015, the Target Group has not entered into any underwriting commitments.

34. Related party disclosures

Other than elsewhere disclosed in the Financial Information, during the Relevant Periods, the Target Group entered into the following significant transactions with related parties:

(i) Transactions with related parties

Related party	**Nature of transaction**	***Notes***	**Year ended 31 March 2014**	**Year ended 31 March 2015**	**Year ended 31 March 2016**
			HK$'000	*HK$'000*	*HK$'000*
Mr. Ng	Commission income from securities dealing	*(a)*	453	196	22
	Placing commission	*(d)*	8	–	–
	Interest income from securities	*(c)*	2	–	–
Mr. Yip	Commission income from securities dealing	*(a)*	201	1	1
	Interest income from securities	*(c)*	2	–	–

Related party	Nature of transaction	Notes	Year ended 31 March 2014 HK$'000	Year ended 31 March 2015 HK$'000	Year ended 31 March 2016 HK$'000
Close family members of Mr. Ng	Commission income from securities dealing	(b)	50	50	29
	Interest income from securities	(c)	2	–	–
	Placing commission	(d)	–	16	–
A company wholly-owned by a close family member of Mr. Ng	Commission income from securities dealing	(b)	–	15	11
	Interest income from securities	(c)	1	4	–
	Placing commission	(d)	–	–	180
A company wholly-owned by Mr. Ng	Commission income from securities dealing	(b)	178	52	5
	Interest income from securities	(c)	6	–	–
Close family members of Mr. Yip	Commission income from securities dealing	(b)	–	6	50
	Interest income from securities	(c)	–	8	87
	Placing commission	(d)	–	11	103
Companies wholly-owned by Mr. Yip	Commission income from securities dealing	(b)	–	57	30
	Interest income from securities	(c)	–	1	–

Notes:

(a) Both Mr. Ng and Mr. Yip are directors of the Target. The commission income was calculated at rates which ranged from 0.03% to 0.25% (subject to minimum charge of HK$40 to HK$80).

(b) The commission income was calculated at rates which ranged from 0.03% to 0.18% (subject to minimum charge of HK$40 to HK$80).

(c) The interest income received from securities was based on the rates which substantially in line with those normally received by the Target Group from third parties.

(d) The placing commission was based on terms stipulated on the agreements entered between the contracting parties.

(ii) Outstanding balances with related parties

Included in trade receivables and payables arising from the ordinary course of business of dealing in securities are amounts due from and (to) certain related parties, the details of which are as follows:

Related party	**Nature of account**	**At 31 March 2014** *HK$'000*	**At 31 March 2015** *HK$'000*	**At 31 March 2016** *HK$'000*
Mr. Ng	Cash account	(1,116)	(175)	(142)
	Margin account	(209)	(2,706)	(7,576)
Mr. Yip	Cash account	(243)	(236)	(1)
Close family members of Mr. Ng	Cash account	(2,522)	(77)	(278)
	Margin account	–	–	6,585
A company wholly-owned by a close family member of Mr. Ng	Cash account	(20)	(5)	(1,104)
A company wholly-owned by Mr. Ng	Cash account	(5,934)	(2,577)	(8,171)
	Margin account	(1,751)	–	–
Close family members of Mr. Yip	Cash account	(54)	(67)	411
	Cash account	(83)	–	–
Companies wholly-owned by Mr. Yip	Margin account	–	(8)	(848)

The outstanding balances of cash accounts above represent the net balance of trading accounts at the end of each of the reporting period.

(iii) Guarantees provided by related parties

Details of personal guarantees provided by Mr. Ng in connection with the banking facilities granted to the Target Group at the end of each of the Relevant Periods are set out in note 27 above.

In addition, Mr. Yip, a director of the Target provided guarantee to certain lease of plant and equipment as set out in note 33 above.

(iv) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	Year ended 31 March 2014	Year ended 31 March 2015	Year ended 31 March 2016
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	456	2,160	5,258
Post-employment benefits	15	18	35
	471	2,178	5,293

35. Statement of financial position and reserve movement of the Target

Statement of financial position of the Target

	As at 31 March 2016
	HK$'000
Non-current assets	
Investment in a subsidiary	–
Current liabilities	
Amount due to immediate holding company	1
Net current liabilities	(1)
Net liabilities	(1)
Capital and reserves	
Equity attributable to owners of the Target	
Share capital	5
Reserves	(6)
Total equity	(1)

Reserve movement of the Target

	Accumulated loss *HK$'000*
Balance at 28 September 2015 (date of incorporation)	–
Loss and total comprehensive expense for the period	(6)
Balance at 31 March 2016	(6)

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 31 March 2016.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769
Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE YEARS ENDED 31 MARCH 2014, 31 MARCH 2015 AND 31 MARCH 2016

Set out below is the management discussion and analysis of the Target Group:

(i) Business and financial performance

The Target, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company. The Target, through its wholly-owned subsidiary – the Target Subsidiary, a company incorporated in Hong Kong with limited liability, is principally engaged in advising and dealing in securities. The Target Subsidiary, 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 the SFO.

The management of the Target Group has determined that it only has one operating segment which is the provision of advising and dealing in securities including securities brokerage, placement and underwriting business in Hong Kong. The Target Group provides a mixture of financial services ranging from securities brokerage service, securities underwriting and placements, margin and initial public offering financing. It has a track record of success, in particular, in its securities brokerage, underwriting and placements businesses which in aggregate contributed a main part of the revenue of the Target Group. The remaining revenue of the Target Group was generated from commission on initial public offering and margin financing businesses.

The securities brokerage, placement and underwriting business is directly affected by the overall financial securities markets. In view of the upward trend on the total turnover value of stock market in Hong Kong and net securities commission income of corporations licensed for dealing in securities and securities margin financing from 2013 to 2015, the positive change in market sentiment has led to increase the demand in securities dealing and margin financing of the Target Subsidiary in general for the three years ended 31 March 2016. Moving forward, it is the aim of the Target Group to further enhance the momentum across its core profit generating portfolio by strengthening its securities brokerage and advisory businesses as well as business in Type 9 (asset management) regulated activity under the SFO, where such license was granted by the SFC to the Target Subsidiary on 29 June 2016. The Target Group will also reallocate its resources to areas with the best potential for growth. In addition, its aims to diversify its income streams by increasing the range of its products so as to capture the growing equity market in Hong Kong, offering an even more stable foundation for its businesses.

Set out below is the financial summary extracted from the accountants' report on the Target Group for the years ended 31 March 2014, 2015 and 2016:

	For the year ended 31 March 2014	**For the year ended 31 March 2015**	**For the year ended 31 March 2016**
	HK$'000	*HK$'000*	*HK$'000*
Revenue	26,365	21,998	27,502
Profit before tax	17,908	9,242	7,410
Profit after tax	14,965	7,740	5,884

Revenue

The Target Group recorded revenue for the three financial years ended 31 March 2014, 2015 and 2016 of approximately HK$26,365,000, HK$21,998,000 and HK$27,502,000 respectively, which mainly represented by the revenue generated from its securities dealing, placement, and underwriting businesses.

For the year ended 31 March 2014, the Target Group recorded a revenue of approximately HK$26,365,000, representing an increase of approximately 308.3% as compared to the year ended 31 March 2013. The increase in the revenue for the year was mainly attributable to (i) the increase in commission from securities dealing by 235% to approximately HK$15,838,000; and (ii) the increase in placing and underwriting commission by 899% to approximately HK$8,223,000 as compared to the year ended 31 March 2013.

For the year ended 31 March 2015, the Target Group recorded a revenue of approximately HK$21,998,000, representing a decrease of approximately 16.6% as compared to the year ended 31 March 2014. The decrease in the revenue for the year was mainly due to the decline in income from securities dealing businesses as a result of decrease in clients due to the departure of certain former employees during the year.

For the year ended 31 March 2016, the Target Group recorded a revenue of approximately HK$27,502,000, representing an increase of approximately 25.0% as compared to the period ended 31 March 2015. The increase in the revenue for the year was mainly attributable to (i) the strong demand in fund raising activities through placement and underwriting businesses during the year; and (ii) the increased demand in margin financing during the year.

Commission expenses

The Target Group had recorded commission expenses of approximately HK$661,000, HK$1,374,000 and HK$2,443,000 for the financial year ended 31 March 2014, 2015 and 2016 respectively which mainly represented commission paid to sales representatives in relation to trading of securities, underwriting and placing transactions being carried out by them in proportion to their respective commission rates.

Since December 2013, the Target Group have paid commission to independent sale representatives. The commission expenses increased by approximately 107.9% to HK$1,374,000 for the year ended 31 March 2015 as compared to the year ended 31 March 2014. The increase was mainly due to the increase in the revenue in the placement businesses to the sales representatives.

The commission expenses increased by approximately 77.8% to HK$2,443,000 for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The increase was mainly due to the sharp increase in revenue in the underwriting and placement businesses of local market.

Employee benefits expenses

The Target Group had recorded employee benefits expenses of approximately HK$4,427,000, HK$5,305,000 and HK$9,047,000 for the financial year ended 31 March 2014, 2015 and 2016 respectively, which comprise of salaries and other benefits, discretionary bonus, and contributions to retirement benefit scheme.

The employee benefits expenses increased by approximately 58.7% for the year ended 31 March 2014 as compared to the year ended 31 March 2013. The increase was mainly due to the (i) increase in commission paid to the directors and (ii) increase in the number of headcounts.

The employee benefits expenses increased by approximately 19.8% for the year ended 31 March 2015 as compared to the year ended 31 March 2014. The increase was mainly due to the improvement in the remuneration packages of employees and increase in the number of headcounts.

The employee benefits expenses increased by approximately 70.5% for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The increase was mainly due to the (i) improvement in the remuneration packages of employees; and (ii) increase in the number of headcounts and discretionary bonus due to the growth of the underwriting and placement businesses.

Rent and rates and building management fee

The Target Group had recorded the expenses on rent and rates and building management fee of approximately HK$694,000, HK$2,212,000 and HK$2,435,000 for the financial year ended 31 March 2014, 2015 and 2016 respectively.

The expenses on rent, rates and building management fee increased by approximately 7.9% for the year ended 31 March 2014 as compared to the year ended 31 March 2013. The increase was mainly due to the increase in monthly rental for the year ended 31 March 2014.

The expenses on rent, rates and building management fee increased by approximately 218.7% for the year ended 31 March 2015 as compared to the year ended 31 March 2014. The increase was mainly due to the change of the office premise for the year ended 31 March 2015.

The expenses on rent, rates and building management fee increased by approximately 10.1% for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The increase was mainly due to the increase in rental expense of the higher monthly rental of the new office premise which the Target Group has relocated to since May 2014.

Service charge and transaction fee

The Target Group had recorded the expenses on service charge and transaction fee of approximately HK$800,000, HK$836,000 and HK$306,000 for the financial year ended 31 March 2014, 2015 and 2016 respectively comprise of transaction fee and service charges paid to Stock Exchange and Central Clearing and Settlement System ("CCASS").

The expenses on service charge and transaction fee increased by approximately 308.2% for the year ended 31 March 2014 from HK$196,000 for the year ended 31 March 2013. The increase was mainly attributable to the increment in transactions fee paid to the Stock Exchange and service charges paid to CCASS in relation to the sharp increase in trading turnovers in securities dealing businesses.

The expenses on service charge and transaction fee increased by approximately 4.5% for the year ended 31 March 2015 as compared to the year ended 31 March 2014. The increase was mainly due to the increase in securities dealing transactions.

The expenses on service charge and transaction fee decrease by approximately 63.4% for the year ended 31 March 2016 as compared to the year ended 31 March 2015. The decrease was mainly due to the decrease in scrip fee charges incurred by client's share entitlement.

Net Profit

The Target Group recorded net profit for the three financial years ended 31 March 2014, 2015 and 2016 of approximately HK$14,965,000, HK$7,740,000 and HK$5,884,000 respectively.

Profit for the year ended 31 March 2014 increased to approximately HK$14,965,000 from approximately HK$986,000 as compared to the year ended 31 March 2013. The increase was mainly attributable to the increase in revenue of the Target Group to approximately HK$26,365,000 for the year ended 31 March 2014 from approximately HK$6,457,000 for the year ended 31 March 2013.

Profit for the year ended 31 March 2015 decreased to approximately HK$7,740,000 from approximately HK$14,965,000 for the year ended 31 March 2014. The decrease was mainly due to the increase in administrative expenses to HK$13,367,000 for the year ended 31 March 2015 from HK$8,336,000 for the year ended 31 March 2014. In addition, the revenue decreased to HK$21,998,000 for the year ended 31 March 2015 from HK$26,365,000 for the year ended 31 March 2014.

Profit for the year ended 31 March 2016 decreased to approximately HK$5,884,000 from approximately HK$7,740,000 for the year ended 31 March 2015. The decrease was mainly due to increase in general and administrative expense to approximately HK$19,795,000 for the year ended 31 March 2016 from approximately HK$13,367,000 for the year ended 31 March 2015 and offset by the increase in revenue to approximately HK$27,502,000 for the year ended 31 March 2016 from HK$21,998,000 for the year ended 31 March 2015.

(ii) Liquidity, financial resources and capital structure

The Target Group generally financed its operations through its internal resources generated from its operating activities and banking facilities during the three financial years ended 31 March 2014, 2015 and 2016.

Capital structure

During the three financial years ended 31 March 2014, 2015 and 2016, the capital structure of the Target Group consisted of amount due to immediate holding company, bank borrowings, amount due to a director and equity attributable to owners of the target Group, comprising share capital and reserves. The directors of the Target Group review the capital structure regularly. As part of the review, the directors consider the cost of capital and the risk associated with each class of capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Treasury and funding policies

During the three financial year ended 31 March 2014, 2015 and 2016, the Target Group usually financed its working capital through internal funds and short term loans. The management of the Target Group closely monitors the liquidity position to ensure that the liquidity structure of the Target Group's assets, liabilities and commitments can meet its funding requirements. In addition, the Target Group monitors and maintain a level of cash and cash equivalent deemed adequate by the management to finance the Target Group's operations and mitigate the effects of fluctuation in cash flow.

The Target Group's contractual maturity for its financial liabilities including bank borrowings, trade and other payables amount due to immediate holding company and amount due to a director at the three years ended 31 March 2014, 2015 and 2016 is repayable on demand. The carrying amounts of the financial liabilities represent the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for the financial liabilities are based on the agreed repayment dates.

Currency and interest rate

The cash and bank balances and the bank borrowings of the Target Group were mainly denominated in Hong Kong dollars. The business operation of the Target Group had been primarily conducted in Hong Kong dollars. The Target Group did not enter into any foreign exchange forward contracts to hedge against exchange rate fluctuations. Foreign exchange risk arising from the normal course of operations is considered to be minimal and the management will closely monitor the fluctuation in the currency and take appreciate actions when conditions arises.

In terms of the interest rate exposure, the major market risks arising from its financial instruments which are the interest rate on loan borrowings. The Target Group's exposure to the risk of changes in market interest rates relates primarily to the company's short term loan which charged at variable interest rate. The Target Group currently does not have any interest rate hedging policy. The management of the Target Group closely monitors the interest rate exposure of the Target Group and would consider hedging significant interest rate exposure should the need arise.

Set out below is a summary of the audited financial information relating to the assets and liabilities of the Target Group extracted from the accountants' report on the Target Group as at 31 March 2014, 2015 and 2016 respectively:

		As at 31 March	
	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	132,570	134,155	123,365
Total cash and bank balances	99,630	80,303	58,329
Total liabilities	91,056	84,901	69,242
Net assets	41,514	49,254	54,123
Current ratio (*Note (a)*)	145%	155%	175%
Gearing ratio (*Note (b)*)	69%	63%	56%

Notes:

(a) The current ratio is calculated as a ratio of the current assets over current liabilities.

(b) The gearing ratio is calculated on the basis of total liabilities to total assets.

As at 31 March 2014

As at 31 March 2014, the Target Group's audited net assets and net current assets were approximately HK$41,514,000 and HK$40,669,000 respectively. The Target Group had total cash and bank balances of approximately HK$99,630,000 as at 31 March 2014, and the corresponding current ratio and gearing ratio was approximately 145% and 69% respectively. As at 31 March 2014, the Target Group did not have any outstanding loans due to banks or financial institutions.

As at 31 March 2015

As at 31 March 2015, the Target Group's audited net assets and net current assets were approximately HK$49,254,000 and HK$46,734,000 respectively. The Target Group had total cash and bank balances of approximately HK$80,303,000 as at 31 March 2015, and the corresponding current ratio and gearing ratio was approximately 155% and 63% respectively. As at 31 March 2015, the Target Group had outstanding loan of HK$8,350,000, of which HK$4,456,000 was repayable within one year, the remaining HK$3,894,000 are repayable after 1 year based on the agreed repayment dates.

As at 31 March 2016

As at 31 March 2016, the Target Group's audited net assets and net current assets were approximately HK$54,123,000 and HK$51,994,000 respectively. The Target Group had total cash and bank balances of approximately HK$58,329,000 as at 31 March 2016, and the corresponding current ratio and gearing ratio was approximately 175% and 56% respectively. As at 31 March 2016, the Target Group had outstanding loan of HK$11,493,000, which are repayable within 1 year based on the agreed repayment dates.

(iii) Material investments, acquisitions or disposals

There was no material acquisitions and disposals of subsidiaries and associated companies of the Target and no significant investments made during the years ended 31 March 2014, 2015 and 2016. The Target Subsidiary was granted a SFC license for Type 9 (asset management) regulated activity under the SFO on 29 June 2016.

(iv) Pledge of assets

As at 31 March 2014 and 2015, none of the assets of the Target Group was pledged as security for any credit and banking facilities.

As at 31 March 2016, client's securities with market value equal to HK$16,755,000 were re-pledged as security for a bank revolving loan of HK$7,599,000 at a rate of 2.86% per annum.

(v) Exposure to foreign exchange

Most of the trading transactions, assets and liabilities of the Target Group for the years ended 31 March 2014, 2015 and 2016 were denominated mainly in Hong Kong dollars.

The Target Group has no foreign exchange contracts outstanding as at 31 March 2014, 2015 and 2016.

(vi) Contingent liabilities

The Target Group did not have any material contingent liabilities as at 31 March 2014, 2015 and 2016.

(vii) Capital Commitments

As at 31 March 2014, 2015 and 2016, the Target Group did not have any material capital commitment.

(viii) Employee and remuneration policy

There were 12, 15, and 18 staff employed by the Target Group and the total staff costs amounted to approximately HK$4,427,000, HK$5,305,000, and HK$9,047,000 for the years ended 31 March 2014, 2015 and 2016 respectively.

The Target Group reviews staff remuneration once a year, or as their management considers appropriate. Changes in remuneration are based on a range of factors including the Target Group's performance, the competitiveness of remuneration with the external market, and individual employee's performance. Target Group's employees were paid at fixed remuneration with discretionary bonus and benefits of medical insurance, mandatory provident fund, share options and necessary training.

The following is the text of a report, prepared for the purpose of inclusion in this Circular, received from the Company's reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The accompanying unaudited pro forma consolidated statement of financial position ("Unaudited Pro Forma Financial Information") of China Demeter Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), Profit Network Asia Inc. (the "Target") and its subsidiary (hereinafter collectively referred to as the "Target Group") (the Group and the Target Group are hereinafter collectively referred to as the "Enlarged Group") has been prepared by the directors of the Company (the "Directors") in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of illustrating the effect of the proposed acquisition of 44% of the issued shares of the Target (the "Acquisition") on the Group. The Group had entered into a sale and purchase agreement on 6 January 2016 and acquired 7% of the issued share capital in the Target (the "Previous Acquisition"). Details of the Previous Acquisition are set out in the section headed "Letter from the Board" contained in the Circular.

The Unaudited Pro Forma Financial Information assumed that the Acquisition had been completed on 31 December 2015 and has been prepared based on (i) the consolidated statement of financial position of the Group as at 31 December 2015, which was extracted from the published annual report of the Company for the year ended 31 December 2015; and (ii) the audited consolidated statement of financial position of the Target Group as at 31 March 2016, which was extracted from the accountants' report as set out in Appendix II, and adjusted on a pro forma basis to reflect the effect of the Acquisition as explained in the accompanying notes that directly attributable to the Acquisition and not relating to future events or decisions, and are factually supportable.

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the Enlarged Group upon completion of the Acquisition. As it is prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2015. Furthermore, accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the future financial position of the Enlarged Group.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as incorporated by reference in Appendix I to this Circular, the accountants' report of the Target Group as set out in Appendix II to this Circular and other financial information included elsewhere in this Circular.

	The Group as at 31 December 2015	The Target Group as at 31 March 2016	Pro forma adjustments		Pro forma Enlarged Group as at 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	Note 1.1	*Note 1.2*			
Non-current assets					
Property, plant and equipment	8,637	1,388			10,025
Prepaid lease payments	968	–			968
Goodwill	373	–	13,197	*1.4*	13,570
Intangible asset	–	500			500
Other assets	–	275			275
Investment in a joint venture	14,052	–			14,052
Biological assets	523	–			523
Loans and interest receivables	11,587	–			11,587
Available-for-sale investments	38,503	–			38,503
	74,643	2,163			90,003
Current assets					
Biological assets	1,054	–			1,054
Inventories	1,287	–			1,287
Trade receivables	2,477	60,132			62,609
Loans and interest receivables	110,605	–			110,605
Deposits, prepayments and other receivables	12,538	1,824			14,362
Financial assets at fair value through profit or loss	90,428	917			91,345
Cash and bank balances					
– General accounts and cash	69,562	3,745	(40,800)	*1.3*	31,007
			(1,500)	*1.9*	
– Trust accounts	–	54,584	(5,425)	*1.8*	49,159
	287,951	121,202			361,428

	The Group as at 31 December 2015	The Target Group as at 31 March 2016	Pro forma adjustments		Pro forma Enlarged Group as at 31 December 2015
	HK$'000	*HK$'000*	*HK$'000*	*Notes*	*HK$'000*
	(Audited)	(Audited)	(Unaudited)		(Unaudited)
	Note 1.1	*Note 1.2*			
Current liabilities					
Trade and other payables	9,732	55,517	(5,425)	*1.8*	59,824
Derivative financial instruments	–	5			5
Amount due to immediate holding company	–	1	(1)	*1.7*	–
Amounts due to non-controlling interests	–	–	2,001	*1.7*	2,001
Amount due to a director	–	2,000	(2,000)	*1.7*	–
Bank borrowings	–	11,493			11,493
Current tax liabilities	813	192			1,005
	10,545	69,208			74,328
Net current assets	277,406	51,994			287,100
Total assets less current liabilities	352,049	54,157			377,103
Non-current liabilities					
Deferred tax liabilities	403	34			437
Net assets	351,646	54,123			376,666
Capital and reserves					
Share capital	19,727	5	(5)	*1.5*	19,727
Reserves	322,327	54,118	(54,118)	*1.5*	320,827
			(1,500)	*1.9*	
Equity attributable to owners of the Company	342,054	54,123			340,554
Non-controlling interests	9,592	–	26,520	*1.6*	36,112
Total equity	351,646	54,123			376,666

Notes to the unaudited pro forma consolidated statement of financial position of the Enlarged Group

1.1 The amounts are extracted from the audited consolidated statement of financial position of the Group as at December 2015 as set out in the published annual report of the Company for the year ended 31 December 2015.

1.2 The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2016 included in the accountants' report of the Target Group as set out in Appendix II to this Circular.

1.3 The pro forma adjustment represents the aggregated cash consideration of HK$40,800,000, comprising (i) HK$5,600,000 as the consideration for the Previous Acquisition (as defined below) and (ii) HK$35,200,000 as the consideration for the Acquisition.

On 6 January 2016, the Group and Trinity Worldwide Capital Holding Limited (the "Vendor") entered into a sale and purchase agreement pursuant to which the Group purchased and the Vendor sold such number of shares in the issued share capital of the Target as held by the Vendor representing 7% of the issued share capital of the Target Company at a consideration of HK$5,600,000 in cash. Completion of the Previous Acquisition took place on 6 January 2016.

On 27 April 2016, the Group and the Vendor entered into another sale and purchase agreement, pursuant to which the Group conditionally agreed to purchase, and the Vendor conditionally agreed to sell, 44% of the issued share capital of the Target at a cash consideration of HK$35,200,000.

Upon completion of the Acquisition, the Group holds in total 51% of the issued share capital of the Target. The Target will become non-wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Company.

1.4 The adjustment reflect the recognition of goodwill arising from the Acquisition, as if the Acquisition had been completed at the date reported on (i.e. 31 December 2015).

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred over the fair value of the Target Group's net identifiable assets and liabilities measured at the date of acquisition.

The acquisition of the Target Group will be accounted for under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations issued by the Hong Kong Institute of Certified Public Accountants.

For the purpose of preparation of the Unaudited Pro Forma Financial Information, it is assumed that the pro forma fair values of the identifiable assets and liabilities of the Target Group approximate to their carrying amounts as at 31 March 2016.

The goodwill arising in the Acquisition of the Target Group is calculated as follows:

	HK$'000
Total cash consideration *(see Note 1.3)*	40,800
Less: Pro forma fair value of the net identifiable assets and liabilities of the Target Group	(54,123)
Add: Pro forma fair value of the net identifiable assets and liabilities of the Target Group attributable to the non-controlling interests *(see Note 1.6)*	26,520
Goodwill arising from the Acquisition	13,197

The amount of goodwill of the Target Group and the fair values of the identifiable assets and liabilities are subject to change upon the completion of (i) the valuation of the fair values of the identifiable assets and liabilities of the Target Group; and (ii) the financial position of the Target Group on the date of completion. In addition, intangible assets and liabilities of the Target Group which were not otherwise recognised in the historical financial information may be recognised at their fair value upon completion of the Acquisition. Therefore, the amounts of goodwill and of other assets and liabilities of the Target Group may be different from the estimates used in the preparation of the Unaudited Pro Forma Financial Information presented above.

The Directors has confirmed that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group, and the accounting policies will be consistently adopted in the first set of the financial statements of the Company after completion of the Acquisition.

According to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information, the Directors had performed an impairment assessment of the goodwill in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("HKAS 36") and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit to which the Target Group was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realised at their book values. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the goodwill in accordance with HKAS 36 and the Group's accounting policy. The Company will adopt consistent accounting policies for impairment tests in future.

1.5 The adjustments represent the elimination of share capital and pre-acquisition reserves of the Target Group, as if the Acquisition had been completed at the date reported on (i.e. 31 December 2015).

1.6 The adjustment represents the recognition of non-controlling interests, being 49% equity interest in the Target Group, based on the net assets attributable to owners of the Target as at 31 March 2016 as extracted from the accountants report of the Target Group as set out in Appendix II to this Circular. Since the carrying amount of 49% equity interest of the Target Group upon completion of the Acquisition may be different from this Unaudited Pro Forma Financial Information, the final amount to be recognised in the equity may be different from the amount presented above.

1.7 The adjustments represent the reclassification of amount due to immediate holding company and amount due to a director to amounts due to non-controlling interests after the Acquisition was completed.

1.8 The adjustments represent the elimination of the Group's cash balance held in the trust account in the Target Group and the corresponding trade payable as at 31 March 2016 upon completion of the Acquisition.

1.9 The adjustment reflects the estimated cost of HK$1,500,000 directly attributable to the Acquisition, which mainly comprises professional fees payable to financial advisors, legal advisors, reporting accountants, printers and other professional parties. The expenses are charged to profit or loss directly.

1.10 Apart from the above, no adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered subsequent to 31 December 2015.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

11 July 2016

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of China Demeter Investments Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Demeter Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position as at 31 December 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Section A of Appendix III to the circular issued by the Company dated 11 July 2016 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Section A of Appendix III to the Circular.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the major and connected transaction in relation to the proposed acquisition of 44% equity interest of Profit Network Asia Inc. (the "Acquisition") on the Group's financial position as at 31 December 2015 as if the Acquisition had taken place at 31 December 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's consolidated financial statements for the year ended 31 December 2015, on which an audit report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue. We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2015 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information regarding the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DIRECTORS' AND CHIEF EXECUTIVES' INTEREST

As at the Latest Practicable Date, the interests and short positions of each of the Directors and chief executives of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares and underlying Shares	Approximate percentage of interest *(Note 1)*
Mr. Zhou Jing	Beneficial owner	8,800,000 *(Note 2)*	1.35%
Mr. Lam Chun Kei	Beneficial owner	8,800,000 *(Note 2)*	1.35%
Mr. Lee Kin Fai	Beneficial owner	290,000 *(Note 3)*	0.04%
Ms. Cheng Lo Yee	Beneficial owner	290,000 *(Note 3)*	0.04%

Notes:

1. The percentage shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date, that is, 650,796,125 Shares.

2. For each respective Director, these interests comprise of (i) 2,900,000 underlying Shares relating to the share options granted by the Company to each such Director on 12 August 2014; and (ii) 5,900,000 Shares held by each such Director.

3. For each respective Director, these represent underlying Shares relating to the share options granted by the Company to each such Director on 12 August 2014.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, so far as is known to the Directors, the following person, other than a director or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO:

Long position

Name of Shareholder	**Nature of Interest**	**Number of Shares**	**Approximate percentage of interest** *(Note 1)*
China Green (Holdings) Limited (formerly known as "China Culiangwang Beverages Holdings Limited")	Beneficial owner and interest in controlled corporation *(Note 2)*	147,900,000	22.73%

Notes:

1. The percentage shareholding in the Company is calculated by reference to the number of Shares in issue as at the Latest Practicable Date, that is, 650,796,125 Shares.

2. Based on the notice of disclosure of interest of China Green (Holdings) Limited (formerly known as "China Culiangwang Beverages Holdings Limited") filed with the Stock Exchange dated 18 April 2016, there Shares are held as to 102,900,000 by China Green (Holdings) Limited and as to 45,000,000 Shares by China Green Beverages (HK) Limited, an indirect wholly-owned subsidiary of China Green (Holdings) Limited.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as is known to the Directors, there was no other person who had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING BUSINESS

As at the Latest Practicable Date, save that Mr. Lee Kin Fai, an independent non-executive Director, is an independent non-executive director of First Credit Finance Group Limited (Stock Code: 8215), a company listed on GEM and principally engaged in money lending business in Hong Kong, which may compete with the Group's money lending business, none of the Directors nor their respective associates had any business which competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Enlarged Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. INTERESTS IN CONTRACT OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which was significant in relation to the business of the Enlarged Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2015, the date to which the latest published audited consolidated financial statements of the Group were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

8. MATERIAL CONTRACTS

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

(a) the sale and purchase agreement dated 4 June 2014 entered into between a wholly-owned subsidiary of the Company ("**Purchaser A**") and Cassia Investments Limited Partnership I ("**Vendor A**"), pursuant to which Purchaser A agreed to purchase and Vendor A agreed to sell (i) the shares in a company incorporated in Hong Kong ("**Target A**") representing 19% of the issued share capital of Target A; and (ii) the sale debts representing 19% of the shareholder's loan owing by Target A to Vendor A, at an aggregate consideration of US$902,500 (equivalent to approximately HK$7,003,400), further details of which are set out in the announcement of the Company dated 4 June 2014;

(b) the sale and purchase agreement dated 20 June 2014 entered into between the Company and Bo Da Dong Fong Agricultural Development Co., Ltd., pursuant to which Bo Da Dong Fong Agricultural Development Co., Ltd. agreed to purchase, and the Company agreed to sell, shares representing 49% of the issued share capital of a company incorporated in Hong Kong at a consideration of HK$6,000,000, further details of which are set out in the announcement of the Company dated 20 June 2014 and the circular of the Company dated 18 July 2014;

(c) the subscription agreements dated 28 October 2014 entered into between the Company and China Culiangwang Beverages Holdings Limited ("**China CLW**"), pursuant to which China CLW agreed to subscribe for, and the Company agreed to allot and issue, (i) 260,000,000 new Shares at the subscription price of HK$0.175 per Share; and (ii) 83,000,000 new Shares at the subscription price of HK$0.175 per Share, further details of which are set out in the announcement of the Company dated 28 October 2014 and the circular of the Company dated 14 January 2015;

(d) (i) the subscription agreement dated 3 December 2014 entered into between Rosy Path International Limited ("**Rosy Path**"), a wholly-owned subsidiary of the Company, as subscriber, Zhu Weimen as guarantor and Zhao Hui Holdings Limited ("**Zhao Hui**") as issuer, pursuant to which Rosy Path agreed to subscribe, and Zhao Hui agreed to allot and issue, 55 new shares of Zhao Hui, representing 55% of the enlarged issued share capital of Zhao Hui, at an aggregate subscription price of AUD2,227,500; (ii) the subscription agreement dated 6 August 2014 and entered into between Mission Go International Limited, Globe Year Limited and Li Dajian pursuant to which Globe Year Limited shall subscribe such number of shares in Mission Go International Limited at an aggregate consideration of AUD6,750,000, whereby upon completion of such subscription Mission Go International Limited shall be owned as to 60% by Globe Year Limited, further details of each of which are set out in the announcement of the Company dated 3 December 2014; and (iii) the shareholders' agreement dated 6 August 2014 entered into between Fortunate Times Enterprises Limited, Globe Year Limited and Mission Go International Limited;

(e) (i) the assignment instrument dated 13 April 2015 entered into between Supreme Falcon International Limited ("**Supreme Falcon**"), an indirect wholly-owned subsidiary of the Company, as purchaser, a company ("**General Partner**") incorporated under the laws of Cayman Island with limited liability and responsible for the overall management and control of Cassia Investments Limited Partnership I ("**Fund**") and Origin Fortune Investments Limited ("**OF**") as vendor in relation to the assignment of the entire interest of OF in the Fund by OF to Supreme Falcon at the consideration of US$1,906,311; and (ii) the assignment instrument dated 13 April 2015 entered into between Supreme Falcon as purchaser, General Partner and Hunting Treasure Limited ("**HT**") as vendor in relation to the assignment of the entire interest of HT in the Fund to Supreme Falcon at the consideration of US$1,906,311, further details of which are set out in the announcement of the Company dated 13 April 2015;

(f) the placing agreement dated 22 June 2015 entered into between the Company as the issuer and Trinity Finance Investment Limited as placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, in aggregate, up to 328,760,000 placing Shares at the placing price of HK$0.20 per Share to not less than six placees under general mandate, further details of which are set out in the announcement of the Company dated 22 June 2015 and as set out in the announcement of the Company dated 6 July 2015, the parties to the placing agreement had mutually agreed to terminate the placing agreement on 6 July 2015;

(g) the sale and purchase agreement dated 17 July 2015 entered into between the Company and Mr. He Huanguang, pursuant to which Mr. He Huanguang agreed to purchase, and the Company agreed to dispose of the entire issued share capital of its indirect wholly-owned subsidiary, Sky Red International Limited together with its subsidiaries, for the consideration of HK$2,000,000 to be satisfied in cash, further details of which are set out in the announcement of the Company dated 17 July 2015 and the circular of the Company dated 21 August 2015;

(h) the sale and purchase agreement dated 30 September 2015 entered into between Rosy Path, Fortunate Times Enterprises Limited, the Company (as guarantor of Rosy Path) and Viplus Dairy Pty Limited (as guarantor of Fortunate Times Enterprises Limited), pursuant to which Rosy Path agreed to sell, and Fortunate Times Enterprises Limited agreed to purchase 55% equity interest in Zhao Hui, at a consideration of AUD3,227,400 (equivalent to approximately HK$18,073,440), further details of which are set out in the announcement of the Company dated 12 October 2015 and the circular of the Company dated 23 November 2015;

(i) the shareholders' agreement dated 20 October 2015 entered into between (i) Eternal Speed International Limited, an indirect wholly-owned subsidiary of the Company ("**Eternal Speed**"); (ii) joint venture partners ("**JV Partners**") including (a) a company incorporated in Cayman Islands with limited liability, (b) a company incorporated in Hong Kong with limited liability, and (c) an individual, a director of one of the above joint venture partners; and (iii) BLVD Cayman Limited, a company incorporated in the Cayman Islands with limited liability ("**JV Company**"), pursuant to which Eternal Speed and the JV Partners agreed to operate the JV Company in which it would engage or invest in the business of operating restaurant, cafes and take-away outlets, and food and drinking catering in the Southeast Asia region and the aggregate amount of the capital contribution will be HK$30,000,000, which was contributed as to HK$15,000,000 by Eternal Speed and as to HK$15,000,000 by the JV Partners, further details of which are set out in the announcement of the Company dated 20 October 2015;

(j) the placing agreement dated 24 November 2015 entered into between the Company as issuer and Trinity Finance Investment Limited as placing agent, pursuant to which the placing agent agreed to place, on a best effort basis, in aggregate, up to 328,760,000 placing shares of the Company at the placing price of HK$0.10 per share to not less than six placees under general mandate, further details of which are set out in the announcements of the Company dated 24 November 2015 and 10 December 2015;

(k) the underwriting agreement dated 23 February 2016 entered into between the Company as issuer and Nuada Limited as underwriter in relation to the issue of Shares by way of open offer on the basis of two offer shares for every one Share held on the 17 March 2016 to the qualifying shareholders at a commission of 3.5% of the aggregate subscription price in respect of the maximum underwritten shares underwritten by the underwriter on the terms set out in the prospectus of the Company dated 18 March 2016; and

(l) the sale and purchase agreement dated 6 January 2016 entered into between the Purchaser and Vendor pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, shares representing 7% of the issued share capital of the Target at a consideration of HK$5,600,000 and the SP Agreement.

There were no contracts (not being contracts in the ordinary course of business of the Target Group) which have been entered into by members of the Target Group within two years immediately preceding the Latest Practicable Date which are or may be material.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts whose statements have been included in this circular:

Name	Qualification
HLB Hodgson Impey Cheng Limited	Certified Public Accountants, being the reporting accountant for the unaudited pro forma financial information of the Enlarged Group and the reporting accountant for the financial information of the Target Group
INCU Corporate Finance Limited	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

Each of the above named experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letters or opinions or reports or references to its name in the form and context in which it appears.

As at the Latest Practicable Date, each of the above named experts had not had any shareholding in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

As at the Latest Practicable Date, each of the above named experts had not had any direct or indirect interests in any assets which have been, since 31 December 2015 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Enlarged Group, or which are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

10. CORPORATE INFORMATION OF THE COMPANY

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business in Hong Kong	Unit A, 15/F Nathan Tower 518-520 Nathan Road Yau Ma Tei, Kowloon Hong Kong.
Principal share registrar and transfer agent	Codan Services Limited Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Hong Kong branch share registrar and transfer office	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Company secretary	Ms. Chan Lai Ping *HKICPA*
Compliance officer	Mr. Zhou Jing

11. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3. The Audit Committee shall be appointed by the Board from amongst the non-executive directors only and shall consist of not less than three members, a majority of whom shall be independent non-executive Directors and at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising the three independent non-executive Directors, namely Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth. Mr. Lee Kin Fai is the chairman of the Audit Committee.

The main functions of the Audit Committee of the Company is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting and internal control procedures.

The biographies of the three members of the Audit Committee are as follows:

(1) Mr. Lee Kin Fai

Mr. Lee, aged 43, was appointed as an independent non-executive Director with effect from 24 May 2013. He is also the chairman of the remuneration committee and the audit committee of the Board. Mr. Lee obtained a master degree in business administration from the Manchester Business School of University of Manchester in United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Lee is currently an independent non-executive Director of First Credit Finance Group Limited (Stock Code: 8215), a company listed on GEM. He was also an independent non-executive director of China Smartpay Group Holdings Limited (formerly known as Oriental City Group Holdings Limited) (Stock Code: 8325), a company listed on GEM from March 2011 to May 2014.

(2) Ms. Cheng Lo Yee

Ms. Cheng, aged 60, was appointed as an independent non-executive Director with effect from 20 February 2014. She is also the chairlady of the nomination committee of the Board and a member of the audit committee and the remuneration committee of the Board. Ms. Cheng was employed by the Hong Kong Government as an Executive Officer from 1978 to 1992 and worked in various government departments including the Home Affairs Department, Social Welfare Department, Government Secretariat, and Office of Members of the Executive and Legislative Council (now called Legislative Council of the HKSAR). Her last rank was Senior Executive Officer. Ms. Cheng obtained a Bachelor of Arts in Business and Finance with Honours from the University of Portsmouth of England in 2003.

(3) Mr. Hung Kenneth

Mr. Hung, aged 44, was appointed as an independent non-executive Director with effect from 27 October 2014. He is a member of the audit committee, nomination committee and remuneration committee of the Board. He holds a degree of bachelor of science awarded by Woodbury University in June 1995. Mr. Hung has extensive experience in the entertainment industry. From March 2008 to September 2010, Mr. Hung was the China business development director for Golden Sun Films Distribution Ltd. From October 2010 to June 2012, Mr. Hung was the chief operation officer for Top Action Culture Development Co. Ltd. From July 2012 to October 2013, Mr. Hung was the business development director for Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung is an executive director of China Mobile Games and Cultural Investment Limited (Stock Code: 8081) and an independent non-executive director of DX.com Holdings Limited (Stock Code: 8086), and an independent non-executive director of IR Resources Limited (Stock Code: 8186), all of which are companies listed on GEM.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any Business Day at Units 7208-10, 72/F, The Center, 99 Queen's Road C., Central, Hong Kong from the date of this circular up to and including 25 July 2016.

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

(b) the annual reports of the Company for the year ended 31 December 2014 and the year ended 31 December 2015;

(c) the material contracts referred to in the paragraph headed "Material contracts" of this appendix;

(d) the accountants' report on the Target Group issued by HLB Hodgson Impey Cheng Limited as set out in Appendix II to this circular;

(e) the report on the unaudited pro forma financial information of the Enlarged Group issued by HLB Hodgson Impey Cheng Limited as set out in Appendix III to this circular;

(f) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(g) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;

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

(i) this circular.

China Demeter Investments Limited
中國神農投資有限公司

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

(Stock Code: 8120)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**Meeting**") of China Demeter Investments Limited ("**Company**") will be held at 11:00 a.m. on Wednesday, 27 July 2016 at 5/F., Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(A) the acquisition ("**Acquisition**") of 264 shares of par value US$1.00 each in the share capital of Profit Network Asia Inc., a company incorporated in the British Virgin Islands with limited liability, as contemplated under the agreement dated 27 April 2016 and entered into between Golden Harvest Holdings Limited 金滿控股有限公司, an indirect wholly-owned subsidiary of the Company, as purchaser and Trinity Worldwide Capital Holding Limited as vendor (as set out in the circular of the Company dated 11 July 2016 ("**Circular**"), a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) ("**SP Agreement**", a copy of the SP Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the Acquisition and all other transactions contemplated under the SP Agreement be and are hereby approved; and

(B) the board of directors of the Company ("**Directors**") or a duly authorised committee of the board of Directors be and is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Acquisition and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the SP Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of the Directors or a duly authorised committee of the board of Directors, in the interest of the Company and its shareholders as a whole."

On behalf of the board of Directors
China Demeter Investments Limited
Zhou Jing
Chairman and Chief Executive Officer

Hong Kong, 11 July 2016

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

Principal place of business in Hong Kong:
Unit A, 15/F, Nathan Tower
518-520 Nathan Road
Yau Ma Tei, Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the Meeting. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at the Meeting.

2. To be valid, the form of proxy must be duly completed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, at the Company's Hong Kong branch share registrar and transfer office, Tricor Tengis Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting.

3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof should such member so wishes, and in such event, the instrument appointing a proxy shall be deemed revoked.

4. Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders are present at the meeting, the most senior holder shall alone be entitled to vote, whether in person or by proxy. For this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand first on the register of members of the Company in respect of the joint holding.

5. In compliance with the Rules ("**GEM Listing Rules**") Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited ("**GEM**"), all resolutions to be proposed at the meeting convened by this notice will be voted on by way of poll.

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