
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 stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

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

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

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

(Stock Code: 8120)

**(1) PROPOSED REFRESHMENT OF
GENERAL MANDATE TO ISSUE SHARES;
(2) PROPOSED REFRESHMENT OF THE 10% GENERAL LIMIT UNDER
THE SHARE OPTION SCHEME;
AND
NOTICE OF SPECIAL GENERAL MEETING**

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



INCU Corporate Finance Limited

A letter from the Independent Board Committee is set out on page 11 of this circular and a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 12 to 26 of this circular.

A notice convening the SGM to be held at 11:00 a.m. on Monday, 6 February 2017 at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong is set out on pages SGM-1 to SGM-5 of this circular.

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

This circular will remain on the “Latest Company Announcement” page of the GEM website at www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company’s website at www.chinademeter.com.

13 January 2017

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

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

“10% General Limit”	the limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme, being 10% of the Company’s issued share capital as at the date of adoption of the Share Option Scheme and thereafter, if refreshed, shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“2016 AGM”	the annual general meeting of the Company held on 6 May 2016
“associate”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company as amended from time to time
“Company”	China Demeter Financial Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the issued shares of which are listed on GEM
“connected person”	has the meaning ascribed to it in the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the GEM Listing Rules
“Current Issue Mandate”	the general mandate granted to the Directors at 2016 AGM to allot, issue and deal with Shares up to a maximum of 20% of the number of Shares in issue as at the date of 2016 AGM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“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”	the independent board committee of the Board comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate
“Independent Financial Adviser”	INCU Corporate Finance Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate
“Independent Shareholders”	Shareholders other than any controlling shareholders of the Company and their respective associates or, where there are no controlling shareholders, any Shareholders other than the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	10 January 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Refreshed General Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the number of Shares in issue as at the date of passing the relevant resolution

DEFINITIONS

“Refreshed Scheme Mandate”	the proposed refreshment of the 10% of the General Limit under the Share Option Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company convened to be held at 11:00 a.m. on Monday, 6 February 2017 at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong for the Shareholders to consider and, if thought fit, approve the proposed grant of Refreshed General Mandate and the proposed grant of Refreshed Scheme Mandate, the notice of which is set out on pages SGM-1 to SGM-5 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Option Scheme”	the share option scheme adopted by the Company pursuant to an ordinary resolution of the Shareholders passed on 30 September 2013
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)
(Stock Code: 8120)

Executive Directors:

Mr. Zhou Jing (*Chairman*)
Mr. Ng Man Chun Paul (*Chief Executive Officer*)
Mr. Lam Chun Kei
Mr. Ng Ting Ho

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Independent non-executive Directors:

Mr. Lee Kin Fai
Ms. Cheng Lo Yee
Mr. Hung Kenneth

*Head office and principal place of
business in Hong Kong:*

3/F, Central 88
88-98 Des Voeux Road Central
Central, Hong Kong

13 January 2017

To the Shareholders

Dear Sir or Madam

**(1) PROPOSED REFRESHMENT OF
GENERAL MANDATE TO ISSUE SHARES
AND**

**(2) PROPOSED REFRESHMENT OF THE 10% GENERAL LIMIT UNDER
THE SHARE OPTION SCHEME**

1. INTRODUCTION

The purpose of this circular is to provide you with (i) the information in respect of the proposed grant of the Refreshed General Mandate; (ii) the information in respect of the proposed grant of the Refreshed Scheme Mandate; (iii) the recommendation of the Independent Board Committee to the Independent Shareholders on the proposed grant of the Refreshed General Mandate; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the proposed grant of the Refreshed General Mandate; and (v) the notice of the SGM.

LETTER FROM THE BOARD

2. PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

Background

Pursuant to an ordinary resolution passed by the Shareholders at the 2016 AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 118,359,225 Shares, representing 20% of the issued share capital of the Company as at the date of the 2016 AGM. There had not been any refreshment of the Current Issue Mandate since the 2016 AGM up to the Latest Practicable Date.

Fund raising activities under the Current Issue Mandate

Save for the fund raising activities mentioned below, the Company has not carried out other fund raising activities under the Current Issue Mandate since the 2016 AGM up to the Latest Practicable Date:

Date of announcement	Fund raising activity	Net proceeds raised (approximately)	Proposed use of the net proceeds	Actual use of net proceeds
22 November 2016 and 2 December 2016	Placing of 118,340,000 new Shares at the placing price of HK\$0.10 per Share under the Current Issue Mandate (“Placing”)	HK\$11.3 million	As to approximately HK\$11.3 million for development of the financial services business of the Group	Not yet been utilised and will be used as intended

Utilisation of the Current Issue Mandate

Following the allotment and issue of the new Shares under the Placing as described above, the Current Issue Mandate has been significantly utilised to the extent that only 19,225 Shares remain issuable under the Current Issue Mandate. Such number represents a negligible percentage of the total number of the 769,136,125 issued shares as at the Latest Practicable Date.

LETTER FROM THE BOARD

Reasons for the proposed grant of the Refreshed General Mandate

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

The Board would like to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing. Given that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; and (iii) provides the Company with the capability to capture any capital raising and/or prospective investment opportunity as and when it arises, the Board proposes that the Refreshed General Mandate shall be granted to the Directors.

Having considered that the Current Issue Mandate has been almost fully utilised after the Placing, the Directors are of the view that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

Based on the total number of issued shares of 769,136,125 as at the Latest Practicable Date and assuming that the Company does not issue or repurchase any Shares from the Latest Practicable Date up to and including the date of the SGM, the Refreshed General Mandate, if granted, will allow the Directors to allot and issue up to 153,827,225 Shares.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by the Bye-laws or any applicable laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

3. PROPOSED REFRESHMENT OF THE 10% GENERAL LIMIT UNDER THE SHARE OPTION SCHEME

Under the rules of the Share Option Scheme:

- (1) the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group is subject to the 10% General Limit; and

LETTER FROM THE BOARD

- (2) the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The Company may seek approval from the Shareholders in a general meeting for refreshing the 10% General Limit so that the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall be re-set at 10% of the Shares in issue as at the date of approval of the limit as “refreshed”. In this connection, options previously granted under the Share Option Scheme and any other share option schemes of the Group (including options outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the 10% General Limit as “refreshed”.

The existing 10% General Limit is 59,179,612 Shares, being 10% of the Shares in issue as at the 2016 AGM on the basis of 591,796,125 Shares in issue on that date and the existing 10% General Limit was approved by the Shareholders. Share options entitling the holders thereof to subscribe for up to 59,000,000 Shares have been granted under the existing 10% General Limit. Of all such share options, no share options have remained outstanding as at the Latest Practicable Date.

As disclosed above, the existing 10% General Limit has almost been utilised in full and if the 10% General Limit is not refreshed, the Board can only grant further share options entitling the holders thereof to subscribe for 179,612 Shares, representing approximately 0.02% of the issued share capital of the Company as at the Latest Practicable Date, under the existing 10% General Limit.

The Directors consider that it is in the interests of the Company and the Shareholders as a whole to refresh the 10% General Limit so as to provide the Company with greater flexibility in granting share options to eligible participants under the Share Option Scheme, who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives to those persons and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct interest in attaining the long term business objectives of the Group. For these reasons, it is proposed that the Board shall seek the approval of the Shareholders by passing of an ordinary resolution for the grant of the refreshment of the 10% General Limit at the SGM.

LETTER FROM THE BOARD

On the basis of 769,136,125 Shares are in issue as at the Latest Practicable Date and assuming that there will not be any change in the issued share capital of the Company prior to the SGM, the maximum number of Shares which may be issued upon exercise of all share options that may be granted under the 10% General Limit so refreshed is 76,913,612.

The refreshment of the 10% General Limit is conditional upon:

- (1) the passing of an ordinary resolution by the Shareholders at the SGM to approve the proposed Refreshed Scheme Mandate; and
- (2) the Stock Exchange granting the listing of, and permission to deal in, such number of Shares, representing 10% of the issued shares as at the date of the SGM, which may fall to be allotted and issued pursuant to the exercise of the options to be granted under the Share Option Scheme within the 10% General Limit so refreshed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, such number of Shares, representing 10% of the issued shares as at the date of the SGM, which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme within the 10% General Limit so refreshed.

4. SGM

The SGM will be held at 11:00 a.m. on Monday, 6 February 2017 at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong for the purpose of, among other matters, considering, and if thought fit, approving the proposed grant of the Refreshed General Mandate and the proposed grant of the Refreshed Scheme Mandate. The notice of the SGM is set out on pages SGM-1 to SGM-5 of this circular.

As the grant of the Refreshed General Mandate is proposed to the Shareholders before the Company's next annual general meeting, pursuant to the GEM Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of poll at the SGM. According to Rule 17.42A(1) of the GEM Listing Rules, any controlling shareholders of the Company and their associates or, where there are no controlling shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution approving the grant of the Refreshed General Mandate at the SGM.

LETTER FROM THE BOARD

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, the Company had no controlling shareholders and none of the Directors had any issued shares. Accordingly, to the best knowledge of the Directors, no Shareholder is required to abstain from voting in favour of the resolution for approving the grant of the Refreshed General Mandate at the SGM. However, where a Director or any of his associates becomes a Shareholder as at the date of the SGM, such Shareholder shall abstain from voting in favour of the resolution for approving the grant of the Refreshed General Mandate at the SGM.

The Independent Board Committee, comprising Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. INCU Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of the Refreshed General Mandate.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, no shareholder is required to abstain from voting on the resolution to be proposed at the SGM to approve the grant of the Refreshed Scheme Mandate under the GEM Listing Rules.

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

5. RECOMMENDATION

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 11 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 12 to 26 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate, its recommendation as to how to vote on the relevant resolution at the SGM and the principal factors considered by it in arriving at its recommendation.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution approving the grant of the Refreshed General Mandate at the SGM.

Accordingly, the Directors (including the independent non-executive Directors) consider that the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution approving the grant of the Refreshed General Mandate at the SGM.

The Directors also consider that the grant of Refreshed Scheme Mandate is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution approving the grant of the Refreshed Scheme Mandate at the SGM.

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. 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.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

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

(Stock Code: 8120)

13 January 2017

To the Independent Shareholders

Dear Sir or Madam

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the proposed grant of the Refreshed General Mandate, details of which are set out in the circular of the Company to the Shareholders dated 13 January 2017 (“**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the letter of advice from the Independent Financial Adviser in relation to the proposed grant of the Refreshed General Mandate as set out in the Circular, we are of the view that the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the grant of the Refreshed General Mandate at the SGM.

Yours faithfully

Independent Board Committee

Mr. Lee Kin Fai
*Independent
non-executive Director*

Ms. Cheng Lo Yee
*Independent
non-executive Director*

Mr. Hung Kenneth
*Independent
non-executive Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from INCU Corporate Finance Limited setting out the advice to the Independent Board Committee and Independent Shareholders in respect of the proposed grant of Refreshed General Mandate prepared for the purpose of incorporation in this circular.



INCU Corporate Finance Limited
Unit 1701, 17F, Wings Building,
110-116 Queen's Road Central,
Central,
Hong Kong

13 January 2017

*To the Independent Board Committee and
the Independent Shareholders*

Dear Sir or Madam,

PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Refreshed General Mandate, details of which are set out in the letter from the board ("**Letter from the Board**") contained in the circular of the Company dated 13 January 2017 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board proposes to grant the Refreshed General Mandate to the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of an ordinary resolution for approving such refreshment at the SGM. Pursuant to Rule 17.42A(1) of the GEM Listing Rules, the proposed grant of Refreshed General Mandate requires the approval of the Independent Shareholders at the SGM taken on a vote by way of poll at which any controlling shareholders and their associates, or where there are no controlling shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, shall abstain from voting in favour of the relevant resolution to approve the proposed grant of Refreshed General Mandate at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, none of the Directors had any issued shares, and, to the best knowledge, belief and information of the Directors, the Company had no controlling shareholder. Accordingly, to the best knowledge of the Directors, no Shareholder is required to abstain from voting in favour of the resolution for approving the proposed grant of the Refreshed General Mandate at the SGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth, has been established to advise the Independent Shareholders as to whether the proposed grant of Refreshed General Mandate is fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote after taking into account the advice of the Independent Financial Adviser.

In our capacity as the Independent Financial Adviser, our role is to give an independent advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of Refreshed General Mandate, and to make recommendations as to, among others, whether the proposed grant of Refreshed General Mandate is fair and reasonable and as to voting in respect of the relevant resolution at the SGM.

As at the Latest Practicable Date, we are not connected with the directors, chief executive and substantial shareholders of the Company or any of their respective subsidiaries or their respective associates. We are not aware of any relationships or interest between us and the Company or any other parties that could be reasonably be regarded as hindrance to our independence as defined under Rule 17.96 of the GEM Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Refreshed General Mandate. 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. During the past two years, we have been appointed as the independent financial adviser (the “**Previous Engagement**”) to the Company in respect of the major and connected transaction in relation to acquisition of 44% of the issued shares of Profit Network Asia Inc. (“**Profit Network**”, together with its subsidiary, “**Profit Network Group**”) (the “**Acquisition**”) with details set out in the circular of the Company dated 11 July 2016. We considered that the Previous Engagement did not affect our independence as the Independent Financial Adviser to the proposed grant of Refreshed General Mandate, since the Previous Engagement merely involved the provision of opinion to the independent board committee and independent shareholder in relation to the Acquisition, we did not give any advice or opinion to the Company on planning and/or structuring any corporate action outside of the scope of the Acquisition. Accordingly, we consider that we are considered eligible to give independent advice on the proposed grant of Refreshed General Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in respect of the proposed grant of Refreshed General Mandate, we have taken into account the following principal factors and reasons:

1. Background and financial information of the Group

The Group is principally engaged in (i) feedstock products and animal husbandry business (“**Agricultural Business**”); (ii) money lending business (“**Money Lending Business**”); (iii) financial services and securities investment business; and (iv) food and beverage business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are the audited consolidated financial information of the Group for the two 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 (“**2015 Annual Report**”); and unaudited consolidated financial results of the Group for the nine months ended 30 September 2015 (“**FP2015**”) and 30 September 2016 (“**FP2016**”), as extracted from the third quarterly report of the Company for the nine months ended 30 September 2016 (“**2016 Q3 Report**”):

	FY2014 (audited) <i>HK\$'000</i>	FY2015 (audited) <i>HK\$'000</i>	FP2015 (unaudited) <i>HK\$'000</i>	FP2016 (unaudited) <i>HK\$'000</i>
Continuing operations				
Revenue	18,063	57,721	41,090	41,571
– Sales of feedstock products and animal husbandry products	7,528	39,962	27,913	31,578
– Loan interest income	10,160	13,367	10,503	4,528
– Revenue from financial services business	–	–	–	757
– Provision of food and beverage services	–	4,392	2,674	4,708
– Dividend income from listed equity investments	375	–	–	–
Gross Profit	12,034	21,766	14,523	15,316
(Loss)/profit before tax	(18,066)	10,428	12,351	(1,282)
(Loss)/profit for the year/period from continuing operations	(18,090)	9,155	12,327	(1,415)
Discontinued operations				
Profit for the year/period from discontinued operations	214	3,850	3,723	–
(Loss)/profit for the year/period	(17,876)	13,005	16,050	(1,415)
(Loss)/profit for the year/period attributable to the owners of the Company	(15,289)	6,168	12,281	(5,027)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 that of 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 stated in the 2016Q3 Report, the Group recorded a net loss attributable to owners of the Company of approximately HK\$5.03 million for FP2016 (FP2015: profit attributable to owners of the Company of approximately HK\$12.28 million). The loss attributable to owners of the Company for FP2016 was mainly attributable to the decrease in gains from changes in fair value of financial assets through profit or loss by approximately HK\$4.96 million during the period (FP2016: approximately HK\$1.93 million; FP2015: approximately HK\$6.89 million), the decrease in loan interest income from loan business by approximately HK\$5.98 million during the period (FP2016: approximately HK\$4.52 million; FP2015: approximately HK\$10.50 million), the decrease in other income and gains by approximately HK\$5.05 million during the period (FP2016: approximately HK\$0.39 million; FP2015: approximately HK\$5.44 million).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During FP2016, the Company has successfully expanded its revenue source by developing its financial services and securities investment business. The Group completed the acquisition of 7% and 44% of the issued share capital of Profit Network Asia Inc. in January 2016 and September 2016 respectively. Profit Network, through its subsidiary, is principally engaged in advising on securities and dealing in securities business. The subsidiary of Profit Network, namely China Demeter Securities Limited, is a licensed corporation in Hong Kong to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. As stated in the 2016Q3 Report, the Board believes that the Acquisition serves to diversify the Group's business through leveraging on its own resources and combining with the operational model and management experiences of Profit Network Group in particular in advising on securities. The Acquisition has timely expanded the Group's scope of operation and investments. During the period from 2 September 2016 to 30 September 2016, the revenue contributed by the Profit Network Group was approximately HK\$757,000.

As referred to in the profit warning announcement of the Company dated 9 January 2017, the Company is expected to record a substantial decrease in profit or may even record a loss for the year ended 31 December 2016 when compared with the profit of approximately HK\$13.0 million for FY2015. Such decrease was mainly attributable to (i) decrease in income recorded from the Money Lending Business; (ii) decrease in gain in fair value of financial assets through profit or loss; and (iii) an increase in the share result (loss) of a joint venture of the Group. The decrease in profit was partly offset by income derived from the Group's new financial services business which was acquired in September 2016.

Set out below are the highlights of the financial positions of the Group as at 31 December 2015 and 30 June 2016, as extracted from the 2015 Annual Report and the interim report of the Group for six months ended 30 June 2016:

	As at 31 December 2015 (audited) HK\$'000	As at 30 June 2016 (unaudited) HK\$'000
Available for sale investments	38,503	47,044
Loans and interest receivables	122,192	70,750
Financial assets at fair value through profit or loss	90,428	186,383
Cash and bank balances	69,562	45,653
Current assets	287,951	309,236
Current liabilities	10,545	7,223
Net current assets	277,406	302,013
Net assets	351,646	380,588

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 30 June 2016, the Group had cash and bank balances of approximately HK\$45.65 million (31 December 2015: approximately HK\$69.56 million). The decrease in cash and bank balance was mainly due to (i) net cash outflow of approximately HK\$80 million used in investment in financial assets at fair value through profit and loss; (ii) the purchase of available for sale investment amounted to approximately HK\$9.1 million; (iii) partly offset by cash inflow as a result of repayment of loan and interest receivables of approximately HK\$51 million; and (iv) net proceeds of approximately HK\$17.5 million generated through the open offer.

As advised by the Directors, based on the management accounts of the Group, the cash and bank balances as at 30 November 2016 amounted to approximately HK\$110.20 million, representing a substantial increase of approximately HK\$64.55 million from the balance of approximately HK\$45.65 million as at 30 June 2016. Such increase was mainly due to (i) net cash inflow of approximately HK\$45.76 million from investment in financial assets at fair value through profit and loss; (ii) cash inflow of approximately HK\$54.40 million as a result of increase in borrowings; and (iii) partly offset by HK\$35.20 million used as part of the consideration of the acquisition of additional 44% interests in Profit Network, which has been completed on 2 September 2016.

2. Background of the Current Issue Mandate and Refreshed General Mandate

As stated in the Letter from the Board, pursuant to an ordinary resolution passed by the Shareholders at the 2016 AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 118,359,225 Shares, representing 20% of the issued share capital of the Company as at the date of the 2016 AGM. On 22 November 2016, the Company announced to place 118,340,000 new shares, at HK\$0.1 per placing share, under the Current Issue Mandate (the “**Placing**”) for net proceeds of approximately HK\$11.3 million which was intended to be applied for development of the financial services business of the Group. The Placing was completed on 2 December 2016 and a total of 118,340,000 new Shares had been allotted and issued under the Current Issue Mandate, representing approximately 99.98% of the Current Issue Mandate. From the 2016 AGM up to the Latest Practicable Date, we have not observed other refreshment of the Current Issue Mandate.

Following the allotment and issue of new Shares under the Placing, only 19,225 Shares are remained issuable under the Current Issue Mandate. Such number represents a negligible percentage of total number of the 769,136,125 issued shares as at the Latest Practicable Date. As such, the Board proposes to grant the Refreshed General Mandate to the Directors to allot and issue new Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of an ordinary resolution for approving such refreshment at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the total number of issued Shares of 769,136,125 as at the Latest Practicable Date and assuming that there is no change in the issued share capital of the Company prior to the date of the SGM, the Refreshed General Mandate, if granted, will allow the Directors to allot and issue up to 153,827,225 new Shares, being 20% of the Shares in issue as at the Latest Practicable Date. The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by the Bye-laws or any applicable laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

3. Reasons for proposed grant of Refreshed General Mandate

As stated in the Letter from the Board, the Board would like to provide flexibility for the Company to raise funds for its future business development and/or opportunities to be identified by the Company through equity financing. Having considered that equity financing (i) does not incur any interest expenses on the Group as compared with bank financing; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; (iii) provides the Company with capability to capture any capital raising and/or prospective investment opportunity as and when it arises; and (iv) the Current Issue Mandate has been almost fully utilised after the Placing, the Directors are of the view that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

As advised by the Directors, the latest cash position of the Group as at 30 November 2016 amounted to approximately HK\$110.20 million. We have also reviewed the working capital forecast provided by the Company for the year ending 31 December 2017 and noted that the Group is expected to generate sufficient cash to support its existing scale of operation during the forecast period.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, as advised by the Directors, we understand that the Money Lending Business and the financial service business, in particular, the margin business, of the Group require high level of funds as loan principals to potential borrowers. In addition, given the repayment of loan principals are subject to the repayment terms under respective loan agreements, with terms ranging from 1 year to 25 years, the Directors are of the view that the cash inflow from repayment of loan principals is relatively rigid and, if investment opportunities arise, may not meet the immediate funding need. Besides, to further develop of the operation scale of existing businesses of the Group, the majority of its existing cash and bank balance has been earmarked for specific purposes as set out below:

	<i>Notes</i>	Approximately <i>HK\$'000</i>
Cash & bank balance as at 30 November 2016		110,204
Cash reserved for development for existing businesses:		
Food and beverage business	<i>1</i>	(10,000)
Financial service business	<i>2</i>	(11,300)
Money lending business	<i>3</i>	(20,000)
Margin business	<i>4</i>	(60,000)
Minimum liquid capital held for securities business	<i>5</i>	<u>(3,000)</u>
	Remaining balance	<u>5,904</u>

Notes:

1. As stated in the announcement of the Company dated 23 February 2016 in relation to the open offer, net proceeds of approximately HK\$10 million would be reserved for the investment of certain new business projects including food and beverage business and/or processing and sales of food products. The Directors confirm that such proceeds had not been used as at the Latest Practicable Date and will be utilised as intended.
2. As stated in announcement dated 22 November 2016 in relation to the Placing, approximately HK\$11.3 million being the net proceeds from the Placing would be reserved for the development of financial services business of the Group. The Directors confirm that such proceeds had not been used as at the Latest Practicable Date and will be utilised as intended.
3. The amount represents the fund reserve for loan principals to borrowers. As advised by the Director, HK\$19,050,000 out of the reserve amount has been lent out in December 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The amount represents a funding reserve for the margin business operated by Profit Network Group. As advised by the Directors, the reserve amount is determined with reference to the historical transactions of Profit Network Group and the increase in funding needs as evidenced by the increase in balance of trade receivables from margin clients from approximately HK\$53.3 million as at 31 March 2016 (as disclosed in the “Financial Information of the Target Group” in the circular of the Company dated 11 July 2016) to approximately HK\$65.1 million as at 30 November 2016 (based on the management accounts of the Group).
5. The amount represents the minimum amount of liquid capital that Profit Network, as a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management), must have in order to comply with the financial resources in accordance with the Financial Resources Rules of the SFC.

The cash and bank balance available for other investment purpose, after reserving funds for specific purposes stated above, would be approximately HK\$5.9 million, the Directors consider which may not be sufficient to finance potential investment opportunities as and when it arises.

As stated in 2016Q3 Report, the Board has been always committed to seeking opportunities for new business and performance growth, with an aim to expand the Company’s scope of operation and investments whenever the right opportunities arise. The Directors consider that if there appears attractive terms for the potential investors to invest in the Shares or if the Group is able to identify suitable investment opportunities, the Board will be able to respond to the market promptly with the Refreshed General Mandate granted. It is due to the fact that issuing Shares under a general mandate for fund raising or settlement of consideration for investment projects by way of consideration Shares is a simpler and less lengthy process which would allow the Company to avoid the uncertainties in such circumstances where approval for specific mandate may not be obtained timely. The Directors are of the view that the Company may come across suitable investors from time to time and funding requirements or sound investment opportunities may arise at any time before the next annual general meeting.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as advised by the Directors, although the Current Issue Mandate could be refreshed in the Company's next annual general meeting at around May 2017, given the volatile market condition, in particular the potential increase in interest rate in 2017 by the US Federal Reserve which impose more uncertainty on the market, we consider that it is important for the Group to maintain a necessary flexible fund raising capacity to enable the Company to make decision in a timely manner. The interest of the Company and the Shareholders may be adversely affected if (1) the Company does not have readily-available flexibility to utilize the Refreshed General Mandate for possible investment opportunities by way of consideration shares or issue for cash; and (2) the Company may not be able to capture any sound investment opportunities in a timely manner as negotiation power of the Company will be diminished by a longer decision making process in the case that the Company does not have the flexibility to raise fund through issue of Shares under the Refreshed General Mandate. As further advised by the Directors, the Company will continue to enhance Shareholders' value through investing in or acquiring interest in companies with promising future prospects as well as expanding the existing business.

Having considered that (i) the Current Issue Mandate has been substantially utilised as at the Latest Practicable Date; (ii) the principal businesses of the Group, in particular the money lending business and financial services business, are capital intensive and require a relatively high financial flexibility for operating purposes; (iii) the existing cash of the Group has been earmarked for development of existing businesses of the Company; (iv) sufficient capital allows the Group to seize suitable investment opportunities and to expand its investment portfolio, we concur with the view of the Directors that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. Equity fund raising activities of the Company in the past twelve months

Set out below are the equity fund-raising activities conducted by the Company in the past twelve months prior to the Latest Practicable Date:

Date of announcement	Equity fund raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of net proceeds as at the Latest Practicable Date
23 February 2016	Open offer of 197,265,375 shares at HK\$0.10 per offer share on the basis of one offer share for every two shares in issue held on the record date	HK\$17.5 million	As to (i) approximately HK\$10.0 million for investment of certain new business projects including food and beverage business and/or processing and sales of food products; and (ii) the remaining approximately HK\$7.5 million for general working capital	As to approximately HK\$3.7 million has been used as intended for general working capital and the rest will be used as intended
22 November 2016	Placing of 118,340,000 new Shares at the placing price of HK\$0.10 per Share under the Current Issue Mandate	HK\$11.3 million	As to HK\$11.3 million to be used for the development of the financial services business of the Group	Not yet been utilized and will be used as intended

Save as disclosed above, the Company has not carried out any other equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date.

5. Other financing alternatives

We have enquired with the Directors and the Directors confirm that apart from equity financing, the Group has also considered debt financing, such as issue of promissory notes, bank borrowings, as possible fund raising alternatives available to the Group. However, the Directors are of the view that the ability of the Group to obtain bank borrowings usually depends on the Group's financial position and the then prevailing market condition. Furthermore, such alternative may be subject to lengthy due diligence and negotiations with banks. Given that debt financing will usually incur interest burden on the Group, the Directors consider that debt financing to be relatively uncertain and time-consuming as compared to equity financing, such as placing of new Shares, for the Group to obtain additional funding.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Besides, as advised by the Directors, they also considered rights issue and open offer as possible equity fund raising alternatives. However, such methods would incur additional costs (such as, underwriting commission, additional professional fees for preparing and reviewing the provisional allotment letters and excess application forms, fee payable for nil-paid rights trading arrangement, etc.). The Directors expect that, in the case of rights issue or open offer, the Company will incur additional expense amounting to approximately HK\$1 million to HK\$1.2 million for professional parties, documentation and administrative costs (i.e. arrangement of parallel trading, excess application of rights shares) and an underwriting commission of approximately 3.5% will usually be charged by the underwriter(s) for the underwritten shares of similar size company. In addition, the Directors expect that rights issue or open offer will incur substantial time to complete as the Company is required to follow a standard timetable in compliance with the GEM Listing Rules.

In the event that there are fund raising needs before the next annual general meeting of the Company which is expected to be held in May 2017, and the Refreshed General Mandate is not approved by the Independent Shareholders at the SGM, the Company may opt for issue of new Shares under specific mandate which requires the Company to comply with the applicable GEM Listing Rules including but not limited to publication of circular to the Shareholders and separate approval from the Independent Shareholders. We consider such lengthy process may lower the bargaining power of the Company during the negotiation process of such subscription and/or placing exercise by potential investors or placing agents and may potentially hinder the growth of the Company. In contrast, issue of new Shares under general mandate allows the Company to raise capital within specified number of Shares promptly as and when necessary.

Having considered that (i) if the Company raises fund by way of debt financing, the gearing of the Company will be adversely affected and interest expenses will be incurred; (ii) if the Company raises fund by way of rights issue or open offer, the Company would be subject to lengthy process period and substantial costs including underwriting commission and professional fees; (iii) issue of new shares under general mandate provides the Company with a simpler process and less lead time to avoid uncertainties in such circumstances where approval for specific mandate may not be obtained in a timely manner, (iv) under the Refreshed General Mandate, the number of new Shares is capped at 20% of the issued share capital of the Company as at the date of SGM and the new shares cannot be issued at more than 20% discount; and (v) it is prudent and reasonable for the Group to maintain a strong capital base while additional funding may be needed for investment and business expansion purposes from time to time, we concur with the Directors' view that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is an effective equity financing alternative for the Group to raise capital in a timely manner.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Potential dilution effect on shareholdings

The table below sets out the shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) upon full utilisation of the Refreshed General Mandate (assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the date of the SGM), for illustrative and reference purpose:

	As at the Latest Practicable Date		Upon full utilisation of the Refreshed General Mandate (assuming that there are no changes in the issued share capital of the Company from the Latest Practicable Date up to the date of the SGM)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
China Green (Holdings) Limited	147,900,000	19.23	147,900,000	16.02
Other public Shareholders	621,236,125	80.77	621,236,125	67.31
Shares to be issued under the Refreshed General Mandate	—	—	153,827,225	16.67
Total	769,136,125	100.00	922,963,350	100.00

Note: Certain percentage figures included in this table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

Assuming that (i) the proposed grant of the Refreshed General Mandate is approved at the SGM; (ii) no Shares will be repurchased and no new Shares will be issued from the Latest Practicable Date up to the date of the SGM (both dates inclusive); and (iii) upon full utilisation of the maximum of 153,827,225 new Shares which may be issued and allotted under the Refreshed General Mandate, which represents 20% of the issued share capital as at the Latest Practical Date and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of such 153,827,225 Shares. The aggregate shareholding of the existing public Shareholders will be diluted from 80.77% to approximately 67.31%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notwithstanding the potential dilution impact to the Shareholders, having considered that (i) the Refreshed General Mandate will allow the Company to raise capital by allotment and issuance of new Shares before the next annual general meeting which is expected to be held in approximately 4 months from the Latest Practicable Date; (ii) the Refreshed General Mandate will provide alternative means for the Company to raise capital; (iii) the Refreshed General Mandate will provide more options of financing to the Group for further development of its businesses as well as in other potential future investments as and when such opportunities arise; (iv) the above flexibility outweigh the dilution effect of the existing Shareholders as the Company is able to respond in a timely and effective manner to take advantages of any material investment opportunities for the benefit of the Company and its Shareholders as a whole; and (v) the shareholding of the Shareholders will be diluted in proportion to their respective shareholdings upon any utilisation of the Refreshed General Mandate, we consider such potential dilution to the shareholdings of the public Shareholders to be justifiable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, in particular, (i) the Current Issue Mandate has been substantially utilised as at the Latest Practicable Date; (ii) the principal businesses of the Company, in particular the Money Lending Business and financial services business, are capital intensive and requires a relatively high financial flexibility for operating purpose; (iii) as compared to other financing alternatives, issuing Shares under general mandate provides the Company with a simpler process and less lead time, without interests expense incurred, we are of the view that the proposed grant of Refreshed General Mandate is fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the proposed grant of Refreshed General Mandate. Independent Shareholders are however advised to take note of the possible dilution effect on their shareholdings in the Company when and if the Refreshed General Mandate is utilised.

Yours faithfully,

For and on behalf of

INCUBORPORATE FINANCE LIMITED

Gina Leung

Managing Director

Ms. Gina Leung is a licensed person registered with the SFC and a responsible officer of INCUBORPORATE 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.

NOTICE OF SGM



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

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

(Stock Code: 8120)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (“**SGM**”) of China Demeter Financial Investments Limited (“**Company**”, together with its subsidiaries, the “**Group**”) will be held at 11:00 a.m. on Monday, 6 February 2017 at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong for the following purposes:

1. To consider and, if thought fit, approve the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) the general mandate granted to the directors of the Company (“**Directors**”) to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 6 May 2016 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to paragraph (d) below, pursuant to the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”), of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with the authorised and unissued shares in the capital of the Company (“**Shares**” and each a “**Share**”) and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

NOTICE OF SGM

- (c) the approval in paragraph (b) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers after the expiry of the Relevant Period;
- (d) the aggregate number of Shares allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (b) above, otherwise than pursuant to or in consequence of:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of any options granted under the share option scheme or similar arrangement adopted by the Company from time to time;
 - (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company and other relevant regulations in force from time to time; or
 - (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants, convertible bonds, debentures notes or any securities of the Company which are convertible into Shares,

shall not exceed the aggregate of:

- (aa) 20 per cent. of the number of issued Shares as at the date of the passing of this resolution; and
- (bb) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the number of Shares purchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10% of the number of issued Shares as at the date of the passing of this resolution),

and the said approval shall be limited accordingly;

NOTICE OF SGM

(e) if, after the passing of this resolution, the Company conducts a share consolidation or subdivision, the number of Shares subject to the limit set out in paragraph (d) above shall be adjusted to the effect that the number of Shares subject to the limit set out in paragraph (d) above as a percentage of the total number of issued Shares at the time immediately before and after such consolidation or subdivision shall be the same; and

(f) for the purposes of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any other applicable laws of Bermuda to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares whose names appear on the Company’s register of members on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange outside Hong Kong).”

2. To consider and, if thought fit, approve the following resolution as an ordinary resolution of the Company:

“**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company pursuant to an ordinary resolution of all the then shareholders of the Company passed on 30 September 2013 (“**Share Option Scheme**”), representing 10 per cent. of the issued share capital of the Company as at the date on which this resolution is passed, pursuant to the rules of the Share Option Scheme:

NOTICE OF SGM

- (a) approval be and is hereby granted for refreshing the 10 per cent. limit under the Share Option Scheme (“**Refreshed Scheme Mandate**”) provided that the total number of Shares which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group under the limit as refreshed hereby shall not exceed 10 per cent. of the issued shares of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Group (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate); and
- (b) the directors of the Company or a duly authorised committee thereof be and is/are hereby authorised: (i) at its/their absolute discretion, to grant options to subscribe for Shares within the Refreshed Scheme Mandate in accordance with the rules of the Share Option Scheme; and (ii) to allot, issue and deal with the shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the Refreshed Scheme Mandate.”

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

13 January 2017

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

*Head office and principal place of
business in Hong Kong:*
3/F, Central 88
88-98 Des Voeux Road Central
Central, Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the SGM 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 SGM. 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 SGM.
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 branch share registrar and transfer office in Hong Kong, 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 SGM or adjourned meeting.

NOTICE OF SGM

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 SGM 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 was solely entitled to vote, but if more than one of such joint holders are present at the SGM, 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 GEM Listing Rules, all resolutions to be proposed at the SGM convened by this notice will be voted on by way of poll.

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

This notice, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this notice 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 notice misleading.

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