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 Financial 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.

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)

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARES OF A NON-WHOLLY-OWNED SUBSIDIARY 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 13 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 14 to 45 of this circular.

A notice convening the special general meeting of the Company to be held at 11:00 a.m. on Monday, 12 June 2017 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 special general meeting 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 by 11:00 a.m. on Saturday, 10 June 2017 or not less than 48 hours before the time appointed for holding 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 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.

19 May 2017

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
"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 Financial Investments Limited 國農金融投資有限公司, 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$39,200,000, the total consideration of the Acquisition
"Director(s)"	the director(s) of the Company
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"INCU" or "Independent Financial Adviser"	INCU Corporate Finance Limited, a corporation licensed to carry out 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 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
"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
"Latest Practicable Date"	16 May 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Long Stop Date"	4:00 p.m. on 23 August 2017 or such other time and date as the Purchaser and the Vendor shall agree in writing
"PRC"	the People's Republic of China
"Previous Acquisitions"	The acquisitions of a total of 51% equity interest in the Target by the Purchaser from the Vendor, further particulars of which are set out in the section headed "Previous Acquisitions" in the Letter from the Board of this circular
"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"	294 shares of the Target, representing 49% 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 at 11:00 a.m. on Monday, 12 June 2017 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 24 February 2017 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, a company incorporated in Hong Kong with limited liability and a licensed corporation to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO
"Vendor"	Trinity Worldwide Capital Holding Limited, a company incorporated in the British Virgin Islands with limited liability

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
Mr. Ng Man Chun Paul
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:
3/F, Central 88
88–98 Des Voeux Road Central
Central, Hong Kong

19 May 2017

To the Shareholders

Dear Sir or Madam

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARES OF A NON-WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

Reference is made to the announcement of the Company dated 24 February 2017 in relation to the Acquisition. The purpose of this circular is to provide you with further details regarding, among other things, (i) 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 24 February 2017, the Purchaser and the Vendor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Company conditionally agreed to sell, the Sale Shares at a Consideration of HK$39,200,000. The principal terms of the SP Agreement are summarised as follows:

Date	:	24 February 2017.
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 currently holds 49% of the issued share capital of the Target and is thus a substantial shareholder of a subsidiary of the Company. The Vendor is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director. Mr. Ng Ting Kit is also the cousin of Mr. Ng Man Chun Paul, an executive Director. Accordingly, the Vendor is an associate of each of Mr. Ng Man Chun Paul and 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$39,200,000. The Sale Shares represent 49% of the issued shares of the Target. The Group acquired 51% of the issued shares of the Target under the Previous Acquisitions, further particulars of which are set out in the section headed "Previous Acquisitions" below. Further particulars of the Target and the Target Group are set out in the section headed "Information on the Target Group" below.

Consideration

The Consideration of HK$39,200,000 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 and based on the valuation of 100% of the equity interests of the Target Group at HK$80,000,000, the same as that under the Previous Acquisitions which was set out in the circular of the Company dated 11 July 2016 in relation to the Previous Acquisitions. Although the Target Group recorded a lower profit before tax for each of the year ended 31 March 2016 and the nine-month period ended 31 December 2016 as compared to the that of approximately HK$7.7 million for the year ended 31 March 2015, taking into account (i) the decrease in revenue was mainly due to the overall market downturn in 2016 as evidenced by decrease in overall decrease in total turnover value and trading volume in Hong Kong securities market; (ii) the prospect of the Target Group, in which 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 SFO, and the Hong Kong securities market remain promising; (iii) it is expected that the market downturn is temporary and the securities market is expected to recover in near future as indicated by the recent growth trend of turnover value and trading volume; and (iv) it is expected that the Shenzhen-Hong Kong Stock Connect launched at the end of 2016 and other measures to be launched by the Stock Exchange under the HKEX Strategic Plan 2016–18 will further boost the Hong Kong securities market, the Company considered that there was no evidence which would make the Company believe that the declines in profit before tax are systemic or would continue for a pro-longed period affecting the revenue and profitability of the Target Group, the Company considered it fair and reasonable to adopt the same basis of consideration as that under the Previous Acquisitions.

The Consideration will be funded from the net proceeds of approximately HK$14.7 million from the placing of new Shares under general mandate of the Company which was completed on 21 April 2017, further particulars of which are set out in the announcements of the Company dated 31 March 2017 and 21 April 2017, and the remaining of which to be funded from the internal resources of the Group.

Conditions precedent

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

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

(2) each member of the Target Group having complied with the applicable legal and regulatory requirements (including but not limited to the SFO) from the date of the SP Agreement and up to immediately prior to Completion;

(3) 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

(4) (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 (3) and (4) above are capable of being waived by the Purchaser. The conditions precedent (1) and (2) above are not capable of being waived.

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 above conditions precedent has 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 Vendor and the Purchaser shall agree in writing.

Other terms

As at the date of the SP Agreement, the Target was indebted to the Purchaser and the Vendor of shareholders' loan as to HK$30,600,000 and HK$29,400,000 respectively which were non-interest bearing and repayable on demand (collectively, the "**Shareholders' Loan**"). Pursuant to the SP Agreement, each of the Purchaser and the Vendor has undertaken to procure that the Company shall, subject to the Target Group's compliance with the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) from time to time, repay or otherwise settle all outstanding amounts of the Shareholders' Loan on or before Completion and there being no new outstanding amount due to/from between the Purchaser or the Vendor and the Target Group immediately prior to Completion.

PREVIOUS ACQUISITIONS

References are made to the announcements of the Company dated 27 April 2016, 27 July 2016 and 2 September 2016 and the circular of the Company dated 11 July 2016. The Purchaser acquired a total of 51% of the issued share capital of the Target, as to 7% and 44% at a consideration of HK$5,600,000 and HK$35,200,000 in cash respectively in 2016. The Previous Acquisitions constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. In this regard, the Company has complied with the relevant applicable GEM Listing Rules requirements in respect of the Previous Acquisitions.

Completion of such acquisitions took place on 6 January 2016 and 2 September 2016 respectively. Since September 2016, each of the Target and the Target Subsidiary has become a non-wholly owned subsidiary of the Company and the financial results of the Target Group has been consolidated into the consolidated financial statements of the Company. As at the Latest Practicable Date, the Purchaser remained as the holder of 51% equity interest in the Target.

INFORMATION ON THE TARGET GROUP

The Company, through the Purchaser, is interested in 51% of the equity interest in the Target and as at the Latest Practicable Date, the remaining 49% of the issued shares of the Target were owned by the Vendor. The Target, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company and its wholly-owned subsidiary, the Target Subsidiary, incorporated in 2010, is a licensed corporation 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.

Set out below is a summary of certain financial information of the Target Group for the year ended 31 March 2015, the year ended 31 March 2016 and the nine months ended 31 December 2016 prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS):

	For the year ended 31 March 2015 (Audited) *HK$'000 approximately*	**For the year ended 31 March 2016 (Audited)** *HK$'000 approximately*	**For the nine months ended 31 December 2016 (Audited)** *HK$'000 approximately*
Turnover	21,998	27,502	13,084
Profit before taxation	9,242	7,410	1,378
Profit after taxation	7,740	5,884	1,346

As at 31 December 2016, the audited total asset value and net asset value of the Target Group were approximately HK$173.4 million and HK$55.5 million respectively.

Upon Completion, each of the Target and the Target Subsidiary shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated with those of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

The Target Group is principally engaged in advising and dealing in securities and asset management in which the Target Subsidiary is a licensed corporation in Hong Kong to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The Group acquired 51% interest in the Target Group under the Previous Acquisitions and since September 2016, the financial results of the Target Group has been consolidated into the consolidated financial statements of the Company. Since then, the Target Group has provided the Group with continuous positive contribution.

The Directors have noted that based on the financial information of the Target Group which is set out in Appendix II to this circular that (i) although the Target Group recorded an increase in revenue for the year ended 31 March 2016 of approximately HK$27.5 million compared to the year ended 31 March 2015 of approximately HK$22.0 million, the Target Group recorded a decrease in the profit for the year of the Target Group for the year ended 31 March 2016 to approximately HK$5.9 million from approximately HK$7.7 million for the year ended 31 March 2015; and (ii) for the nine months ended 31 December 2016, the Target Group recorded a revenue of approximately HK$13.1 million and profit for the year of approximately HK$1.3 million, representing a decrease as compared to the year ended 31 March 2016. It was noted that (i) the increase in revenue for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was 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 decrease in profit for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly due to increase in general and administrative expense; and (ii) the decrease in revenue and profit for the nine months ended 31 December 2016 as compared to the year ended 31 March 2016 was mainly due to drop in revenue from daily trading commission and fund-raising businesses of the Target Group. According to the HKEX Fact Book 2016 issued by the Hong Kong Exchange and Clearing Limited, the total average daily turnovers in 2015 and 2016 were HK$105,630 million and HK$66,924 million and the total post-IPO funds raised for equities in 2015 and 2016 amounted to HK$853 billion and HK$295 billion respectively. It was observed that the corresponding decrease in revenue and hence the profit for the nine months ended 31 December 2016 as compared to the year ended 31 March 2016 was in line with the decreasing daily turnover and fund raising activities in the Hong Kong securities market during the period.

Nonetheless, it is expected that the market downturn is temporary and the securities market is expected to recover in near future as indicated by the recent growth trend of turnover value and trading volume and that the Shenzhen-Hong Kong Stock Connect launched at the end of 2016 and other measures to be launched by the Stock Exchange under the HKEX Strategic Plan 2016–18 will further boost the Hong Kong securities market, the Directors are optimistic on the growth opportunities in the financial services industry, given the increasing demand for financial services in Hong Kong with the increasing cooperation between the stock markets in Hong Kong and the PRC such as the launch of the Stock Connect program. The Board is of the view that with the potential development of the Shenzhen-Hong Kong Stock Connect, Hong Kong's securities market would allow opportunities for licensed corporations such as the Target Subsidiary which are carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, to benefit from this in the expected capital in-flow into the Hong Kong securities market which in turn would drive the demand for securities brokerage, margin financing, share placements and underwriting services. Moreover, it was also expected that with the licence for Type 9 (asset management) regulated activity under the SFO granted by the SFC to the Target Subsidiary in June 2016, the Company's intention to develop the Target Subsidiary to offer integrated sales, trading, investment advisory and asset management services would be further bolstered in response to the market trend.

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. Given Hong Kong's leading role as a major international financial centre, and in view of the historical and recent performance of the Target Subsidiary, the Directors are of the view that the Acquisition will provide a prime opportunity for the Group to continue to develop its newly acquired financial services business segment which is expected to give a positive impact to the operations, financial results and profitability of the Group.

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

GEM LISTING RULES IMPLICATIONS

The Purchaser's existing 51% equity interest in the Target was acquired by the Purchaser under the Previous Acquisitions. The Previous Acquisitions constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. In this regard, the Company has complied with the relevant applicable GEM Listing Rules requirements in respect of the Previous Acquisitions.

As the Acquisition and the Previous Acquisitions are conducted within a 12-month period prior to and inclusive of the date of the SP Agreement, each of the Acquisition and the Previous Acquisitions were aggregated as a series of transactions pursuant to Rule 19.22 of the GEM Listing Rules. As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition, whether standalone or in aggregate with the Previous Acquisitions, is more than 25% but is less than 100%, the Acquisition, whether standalone or in aggregate with the Previous Acquisitions, constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements of Chapter 19 of the GEM Listing Rules.

In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho, each an executive Director, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction for 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 GEM 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 Man Chun Paul and Mr. Ng Ting Ho, each an executive Director, each of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho had abstained from voting on the resolutions of the Board to approve the SP Agreement and the transactions contemplated thereunder.

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 Monday, 12 June 2017 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 by 11:00 a.m. on Saturday, 10 June 2017 or not later than 48 hours before the time appointed for 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 Man Chun Paul and Mr. Ng Ting Ho, each 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) recommend the Independent Shareholders 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 13 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 14 to 45 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 Financial Investments Limited
Zhou Jing
Chairman

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.

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)

19 May 2017

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARES OF A NON-WHOLLY-OWNED SUBSIDIARY

We refer to the circular of the Company dated 19 May 2017 ("**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 14 to 45 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 Corporate Finance Limited, 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 1701, 17/F., Wings Building,
110–116 Queen's Road Central,
Central,
Hong Kong

19 May 2017

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

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION – ACQUISITION OF THE REMAINING 49% OF THE ISSUED SHARES OF A NON-WHOLLY-OWNED SUBSIDIARY

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 19 May 2017 (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 24 February 2017 in relation to the Acquisition. On 24 February 2017 (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$39,200,000. The Sale Shares represent 49% of the issued shares of the Target. As at the date of the SP Agreement, the Target is owned as to 49% by the Vendor and as to 51% by the Purchaser. Upon Completion, each of the Target and the Target Subsidiary will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated with those of the Group.

References are also made to the announcements of the Company dated 27 April 2016, 27 July 2016 and 2 September 2016 and the circular of the Company dated 11 July 2016. The Purchaser's existing 51% equity interest in the Target was acquired by the Purchaser under the

Previous Acquisitions. The Previous Acquisitions constituted a major transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules and a connected transaction of the Company pursuant to Chapter 20 of the GEM Listing Rules. In this regard, the Company has complied with the relevant applicable GEM Listing Rules requirements in respect of the Previous Acquisitions. Completion of such acquisitions took place on 6 January 2016 and 2 September 2016 respectively.

As the Acquisition and the Previous Acquisitions are conducted within a 12-month period prior to and inclusive of the date of the SP Agreement, each of the Acquisition and the Previous Acquisitions were aggregated as a series of transactions pursuant to Rule 19.22 of the GEM Listing Rules. As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Acquisition, whether standalone or in aggregate with the Previous Acquisitions, is more than 25% but is less than 100%, the Acquisition, whether standalone or in aggregate with the Previous Acquisitions, 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.

In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Man Chun Paul and Mr. Ng Ting Ho, each an executive Director, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction for 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 GEM Listing Rules. The Company will seek the Independent Shareholders' approval for the SP Agreement and the transactions contemplated thereunder at the SGM.

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, save for Mr. Ng Man Chun Paul and Mr. Ng Ting Ho, each 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 other 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.

As at the Latest Practicable Date, we are not aware of any relationships or interests 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 SP Agreement and the transactions contemplated thereunder. 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. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, 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. During the past two years, we have been appointed as the independent financial adviser to the Company in respect of (i) the major and connected transaction in relation to acquisition of 44% of the issued shares of Profit Network Asia Inc. ("**Profit Network**") (with details set out in the circular of the Company dated 11 July 2016); and (ii) proposed grant of refreshed general mandate (with details set out in the circulars of the Company dated 13 January 2017) (the "**Previous Engagements**"). We considered that the Previous Engagements did not affect our independence as the Independent Financial Adviser to the SP Agreement and the transactions contemplated thereunder, since the Previous Engagements merely involved the provision of opinion to the independent board committee and independent shareholders in respect of the relevant transactions, we did not give any advice or opinion to the Company on planning and/or structuring any corporate action outside the scope of the relevant transactions. Accordingly, we consider that we are eligible to give independent advice and recommendations on the terms of 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

Background of the Group

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

Historical financial information of the Group

Set out below are the consolidated financial information of the Group for the three years ended 31 December 2014 ("**FY2014**"), 31 December 2015 ("**FY2015**"), 31 December 2016 ("**FY2016**") and for three months ended 31 March 2017 ("**2017Q1**"), as extracted from the annual reports of the Company for the years ended 31 December 2015 (the "**2015 Annual Report**"), 31 December 2016 (the "**2016 Annual Report**") and the quarterly report for three months ended 31 March 2017 ("**the 2017 Q1 Report**"):

	FY2014	**FY2015**	**FY2016**	**2017Q1**
	(audited)	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	approximately	*approximately*	*approximately*	*approximately*
Continuing operations *(Note 1)*				
Revenue	18,063	57,721	61,703	15,351
– Sales of feedstock products and animal husbandry products	7,528	39,962	40,567	7,176
– Loan interest income	10,160	13,367	6,261	1,638
– Revenue from financial services business	–	–	7,888	5,413
– Provision of food and beverage services	–	4,392	6,545	1,124
– Dividend income from listed equity investments	375	–	442	–
Gross profit	12,034	21,766	22,754	7,083

	FY2014	FY2015	FY2016	2017Q1
	(audited)	(audited)	(audited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	approximately	*approximately*	*approximately*	*approximately*
(Loss)/Profit before tax	(18,066)	10,428	(14,718)	(4,163)
Income tax credit (expense)	(24)	(1,273)	361	(241)
(Loss)/Profit for the year/period from continuing operations	(18,090)	9,155	(14,357)	(4,404)
Discontinued operations *(Note 2)*				
Profit for the year/period from discontinued operations	214	3,850	–	2,805
(Loss)/Profit for the year/period	(17,876)	13,005	(14,357)	(1,599)
(Loss)/Profit for the year/period attributable to the owners of the Company	(15,289)	6,168	(17,683)	(3,249)

Note 1: Continuing operations of the Group represent (i) Agricultural Business; (ii) Money Lending Business; (iii) financial services business; (iv) securities investment business; and (v) food and beverage business.

Note 2: Discontinued operations represent the provision of professional IT contract and maintenance services in the PRC and processing and sales of food products business disposed of by the Group in FY2015 and animal husbandry business disposed of by the Group in 2017Q1.

(a) Financial performance of the Group

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.

During FY2016, the Company has successfully expanded its revenue source by developing its financial services and securities investment business through the Previous Acquisitions completed in January 2016 and September 2016 respectively. As stated in the 2016 Annual Report, the Board believed 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 and its wholly owned subsidiary ("**Profit Network Group**") in particular in advising on securities. The acquisition has timely expanded the Group's scope of operation and investments. During the period from 2 September 2016 to 31 December 2016, the revenue contributed by the Profit Network Group was approximately HK$7.89 million.

Nevertheless, the Group recorded a net loss attributable to owners of the Company of approximately HK$17.68 million for FY2016 (FY2015: profit attributable to owners of the Company of approximately HK$6.17 million). The loss attributable to owners of the Company for FY2016 was mainly attributable to (i) the increase in share of loss of a joint venture by approximately HK$11.18 million; (ii) the decrease in loan interest income arising from the Money Lending Business by approximately HK$7.11 million during the year; (iii) the decrease in other income and gains by approximately HK$6.68 million during the year; and (iv) the decrease in gains from changes in fair value of financial assets through profit or loss by approximately HK$3.40 million during the year.

As disclosed in the 2017 Q1 Report, the revenue of the Group from continuing operations increased by approximately HK$6.56 million, representing an increase of approximately 74.60% when compared with the corresponding period, i.e., three months ended 31 March 2016 (the "**2016Q1**"). Such increase was mainly attributable to the introduction of the new financial services business which contributed approximately HK$5.41 million.

However, the Group recorded a net loss attributable to owners of the Company of approximately HK$3.25 million for 2017Q1 (2016Q1: profit approximately HK$2.05 million). The loss was mainly attributable to (i) the loss in fair value of financial assets through profit or loss of approximately HK$4.21 million for 2017Q1 when compared with the gain in fair value of financial assets through profit or loss of approximately HK$3.91 million in 2016Q1; (ii) general and administrative expenses of approximately HK$7.56 million for 2017Q1 (2016Q1: approximately HK$3.32 million); partly offset by (iii) profits recorded by the Group's new financial services business which was acquired in September 2016; and (iv) gain on disposal of the entire interest in a non-wholly-owned subsidiary of the Company.

Set out below are the highlights of the financial positions of the Group as at 31 December 2015 and 31 December 2016, as extracted from the 2016 Annual Report:

	As at 31 December 2015 (audited) *HK$'000 approximately*	**As at 31 December 2016** (audited) *HK$'000 approximately*
Non-current assets	74,643	91,558
Current assets	287,951	414,875
Non-current liabilities	403	–
Current liabilities	10,545	107,052
Net assets attributable to owners of the Company	342,054	361,420

(b) Financial positions of the Group

Based on the 2016 Annual Report, the Group recorded net assets attributable to owners of the Company of approximately HK$361.42 million as at 31 December 2016, representing approximately 5.66% increase from the previous year (31 December 2015: approximately HK$342.05 million).

As at 31 December 2016, the current assets of the Group mainly comprised financial assets at fair value through profit or loss of approximately HK$150.73 million (31 December 2015: approximately HK$90.43 million), trade receivables of approximately HK$94.15 million (31 December 2015: approximately HK$2.48 million), loan and interest receivables of approximately HK$52.65 million (31 December 2015: approximately HK$110.61 million), cash and cash equivalents of approximately HK$73.97 million (31 December 2015: HK$69.56 million), and trust bank accounts of approximately HK$27.00 million (31 December 2015: Nil) while the non-current assets of the Group comprised available-for-sale investments of approximately HK$33.62 million (31 December 2015: approximately HK$38.50 million) and loans and interest receivables of approximately HK$33.08 million (31 December 2015: approximately HK$11.59 million).

The significant increase in current assets was mainly attributable to the increase in trade receivables from financial services business after completion of the Previous Acquisitions.

As at 31 December 2016, the current liabilities of the Group comprised trade and other payables of approximately HK$51.83 million (31 December 2015: approximately HK$9.73 million), amount due to a non-controlling interest of approximately HK$29.40 million (31 December 2015: Nil), bank and other borrowings of approximately HK$25.47 million (31 December 2015: Nil), while the non-current liabilities of the Group as at 31 December 2015 represented deferred tax liabilities of approximately HK$0.40 million.

The increase in current liabilities was mainly attributable to (i) the increase in trade payables from financial services business after completion of the Previous Acquisitions; (ii) the increase in bank borrowing for developing securities investment business; and (iii) the increase in amount due to a non-controlling interest, representing the Target's shareholder loan, which will be settled on or before the Completion.

The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 31 December 2016 was approximately 21.1% (31 December 2015: approximately 3.0%).

Recent business development

As disclosed in the announcement and circular of the Company dated 18 January 2017 and 20 February 2017 respectively, the Company entered into an agreement regarding a disposal of the entire equity interest in Wuping Jian Jun Ecology Breeding Company Limited (the "**Disposal**"), an indirect non-wholly owned subsidiary of the Company which principally engaged in breeding and sales of live swine in the PRC, which includes slaughter pigs and breeders, at a consideration of RMB1.10 million (equivalent to approximately HK$1.23 million). Following the completion of the Disposal, the remaining Agricultural Business of the Group would be mainly involving in the manufacturing, development and distribution of feedstock products and related activities. As advised by the Directors, barring unforeseen circumstances, as at the Latest Practicable Date, the Group has no plans to dispose of remaining Agricultural Business in the near future, and remains committed to take a flexible and cautious approach to the operation of feedstock products business by formulating its business strategies based on the market development. The Disposal was completed in March 2017.

As disclosed in the announcement of the Company dated 31 March 2017, the Company and a placing agent entered into a placing agreement pursuant to which the placing agent has agreed to place on a best endeavor basis, up to 153,800,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a price of HK$0.10 per placing share. As disclosed in the announcement of the Company dated 21 April 2017, completion of the placing took place on 21 April 2017 in accordance with the terms of the placing agreement and the Company received net proceeds of approximately HK$14.7 million (after deduction of commission and other expenses of the placing).

II. Background and information of the Target Group

As at the Latest Practicable Date, the Company, through the Purchaser, is interested in 51% of the equity interest in the Target and the remaining 49% of the issued shares of the Target were owned by the Vendor. As disclosed in the Letter from the Board, the Target, a company incorporated in the British Virgin Islands with limited liability, is an investment holding company and its wholly-owned subsidiary, the Target Subsidiary, incorporated in 2010, is a licensed corporation 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.

Set out below is a summary of certain financial information of the Target Group for the years ended 31 March 2015 ("**YE2015**"), 31 March 2016 ("**YE2016**") and the financial year ended 31 December 2016 ("**FY2016**") prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS):

	YE2015 (audited) *HK$'000* *approximately*	**YE2016** (audited) *HK$'000* *approximately*	**FY2016** *(Note)* (audited) *HK$'000* *approximately*
Revenue	21,998	27,502	13,084
– Commission income from securities dealing	9,352	9,734	4,882
– Placing and underwriting commission	9,345	13,443	4,344
– Commission income from initial public offering financing	7	2	2
– Clearing and handling income	796	300	143
– Interest income from securities	2,498	4,023	3,713
Other income	17	16	1,463
General and administrative expenses	(13,367)	(19,795)	(13,102)
Change in fair value of financial asset through profit or loss	636	27	3
Change in fair value of derivative financial instruments	–	10	2
Finance costs	(42)	(350)	(72)
Profit before tax	9,242	7,410	1,378
Income tax expense	(1,502)	(1,526)	(32)
Profit after tax	7,740	5,884	1,346

Note: The financial year end date of the Target Group was changed from 31 March to 31 December commencing from 1 April 2016.

The revenue of the Target Group was mainly generated from its securities brokerage, underwriting and placements. The revenue of the Target Group has increased from approximately HK$22.00 million in YE2015 to approximately HK$27.50 million in YE2016, representing an increase of 25.02% as compared to YE2015. Such increase was 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.

Net profit of the Target Group for YE2016 decreased from approximately HK$7.74 million to approximately HK$5.88 million. Such decrease was mainly due to the 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 revenue of the Target Group for FY2016 decreased from approximately HK$24.54 million for nine-month period ended 31 December 2015 ("**FP2015**") to approximately HK$13.08 million. Such decrease was mainly attributable to (i) the decrease in commission from securities dealing, and (ii) decrease in placing and underwriting commission. As advised by the Directors, decrease in commission from securities dealing was mainly attributable to decrease in trading volume by the clients of the Target Group which is in line with the overall decrease in trading volume in Hong Kong securities market in 2016, while the Target Group is maintaining a stable group of customers. Regarding placing and underwriting commission, the Target Group has completed 15 and 12 placing and underwriting transactions in FP2015 and FY2016 respectively. Apart from the slight decrease in number of transaction, the decrease in placing and underwriting commission from approximately HK$13.0 million in FP2015 to HK$4.3 million in FY2016 was mainly due to (i) overall decrease in securities market in Hong Kong, including average daily turnover and fund raising activities; and (ii) decrease in fund raising size of Target Group's customers, leading to the decrease in placing and underwriting commission, being the one of the major revenue contributor, from average of approximately HK$0.87 million in FP2015 to average of approximately HK$0.36 million in FY2016. We also understand that the fund raising transactions are not conducted with routine pattern, instead, are subject to various factors, such as, the actual fund needs of customers, market sentiment, etc.

Net profit of the Target Group for FY2016 decreased from approximately HK$13.23 million in FP2015 to approximately HK$1.35 million. Such decrease was mainly due to drop in revenue as mentioned above. The general and administrative expenses of the Target Group for FY2016 increased from approximately HK$11.06 million in FP2015 to approximately HK$13.10 million was mainly due to increase in the employee benefit expense due to the recruitment of new employee and the increasing cost of labour among the industry.

As advised by the Directors, the performance of the Target Group is improving in the early 2017, based on the unaudited management account of the Target Group, the Target Group recorded a profit before tax of approximately HK$1.50 million for the three months ended 31 March 2017. The Directors are of the view that the Target Group will continue to bring positive financial effect on the Group's earnings.

As at 31 December 2016, the audited total asset value and net asset value of the Target Group were approximately HK$173.41 million and HK$55.47 million respectively (31 March 2016: approximately HK$123.37 million and HK$54.12 million respectively). The total cash and bank balances of the Target Group was approximately HK$60.36 million as at 31 December 2016 (31 March 2016: approximately HK$58.33 million).

Upon Completion, each of the Target and the Target Subsidiary shall become a wholly-owned subsidiary of the Company and the financial results of the Target Group will continue to be consolidated with those of the Group.

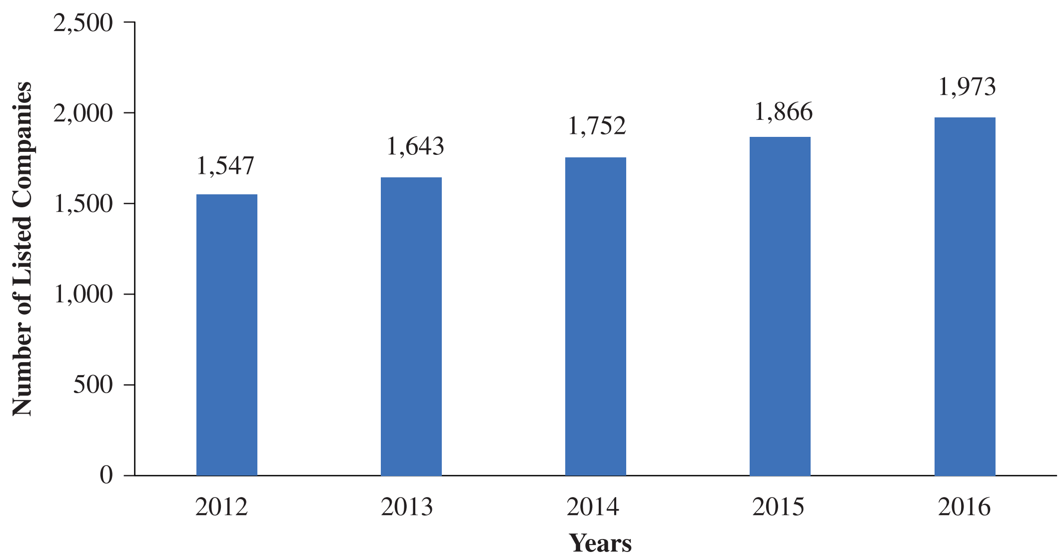
III. Brief industry review

The Target is principally engaged in the provision of Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong. We have thus, based on publicly available information, reviewed the prospect 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 September 2016 with review period covering the end of February 2016 to the end of August 2016. The Hong Kong equity market staged a rebound after falling to its lowest level in more than four years in February. Sentiment was boosted by the solid gains of the US and other major stock markets. In addition, the recovery of oil price from a 14-year low in early 2016 alleviated concerns about a severe slowdown of the global economy, thus lending support to all major markets, including Hong Kong. While the UK's referendum to leave the EU triggered a brief decline of the market in June, momentum resumed quickly amid expectation that the US Federal Reserve would be more gradual in its rate hikes and other central banks would further relax their monetary policies. With global interest rates staying at historical lows and government bond yields of some major advanced economies dipping into negative territories, investors regained their appetite for risky assets globally, which also benefited local equities. Overall, the Hang Seng Index (HSI) and the Hang Seng China Enterprises Index (HSCEI), also known as the H-share index, increased by 20.2% and 20.5% respectively between March and August 2016. Looking forward, the relatively attractive valuations of the Hong Kong market versus other markets in the region may render it more resilient to minor setbacks. Nonetheless, the market remains susceptible to unexpected changes in the external market conditions. In particular, uncertainties about the pace of US monetary normalisation and global economic growth prospects are likely to keep investors cautious.

We have reviewed the stock market performance in the past five years from 2012 to 2016 with reference to the "HKEX Fact Book 2016" published by the Stock Exchange. Set out below is the total number of companies listed on the Stock Exchange from 2012 to 2016:

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



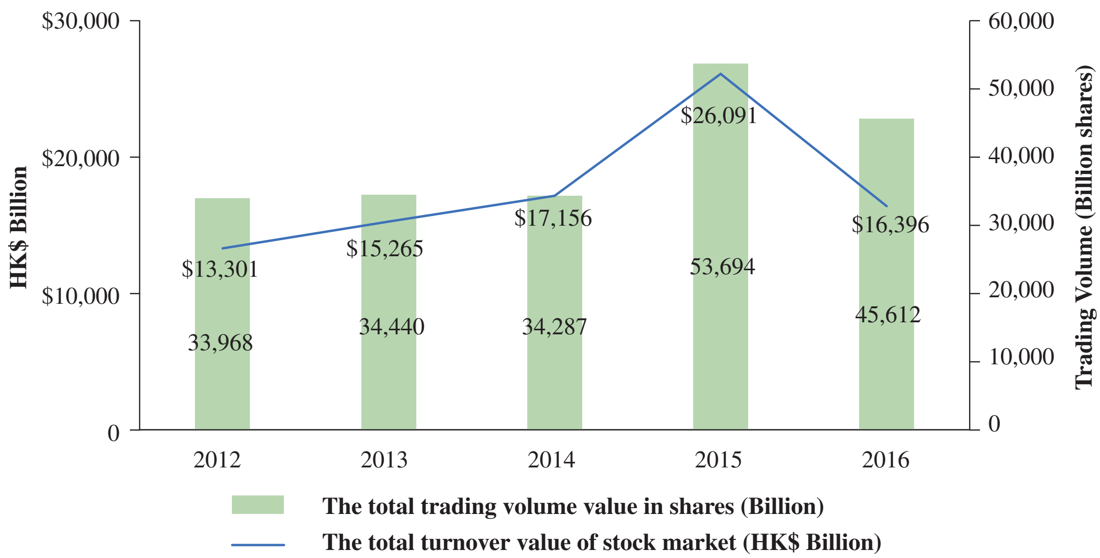
Source: "HKEX Fact Book 2016" published by the Stock Exchange

As shown in the chart above, the total number of listed companies in Hong Kong has increased from 1,547 in 2012 to 1,973 in 2016, representing a compound annual growth rate ("**CAGR**") of 6.27%.

With reference to the market statistics published on the official website of the Stock Exchange, Hong Kong is the world's largest bourse in 2015 and 2016 and one of the top five stock exchanges in the world in terms of fund raising amount for the past five years. The funds raised through initial public offer ("**IPO**") has increased from approximately US$11,585.20 million in 2012 to approximately US$25,135.00 million in 2016 with a CAGR of 21.37%.

Set out below are the total turnover value and total trading volume in shares in the Hong Kong stock market from 2012 to 2016:

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



Source: "HKEX Fact Book 2016" 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$13,301.05 billion in 2012 to approximately HK$16,396.42 billion in 2016 with a CAGR of 5.37%. Also, total trading volume in shares has increased from approximately 33,967.55 billion in 2012 to approximately 45,611.90 billion in 2016 with a CAGR of 7.65%.

With reference to HKEX monthly highlight published on the official website of the Stock Exchange, the monthly turnover of the stock market has increased from approximately HK$1,087.29 billion in January 2017 to approximately HK$1,889.21 billion in March 2017 with a compound monthly growth rate ("**CMGR**") of 31.82%. The average daily turnover has increased from approximately HK$57.23 billion in January 2017 to approximately HK$82.14 billion in March 2017 with a CMGR of 19.80%, an increasing trend is shown in the early 2017.

Apart from Shanghai-Hong Kong Stock Connect launched on 17 November 2014, Shenzhen-Hong Kong Stock Connect was launched on 5 December 2016. According to the monthly statistics published on the official website of mutual market of Stock Exchange, the total turnover value of the Shenzhen connect southbound has increased from approximately HK$7,433.91 million in January 2017 to approximately HK$35,562.26 million in March 2017 with a CMGR of 118.72%. It shows that it can broaden the investor base of Hong Kong securities market.

As disclosed in the 2016 final results announcement of the Stock Exchange dated 27 February 2017, the launch of Shenzhen Connect symbolises the beginning of mutual market access 2.0. As outlined in the "HKEX Strategic Plan 2016–18", the Stock Exchange will continue to extend and deepen the value proposition against the backdrop of Mainland China's accelerating capital market internationalisation through entrenching the Connect model under the mutual market access 2.0. Apart from including exchange trade funds, the exchanges and clearing houses on both sides are working closely with Mainland regulatory authorities to sort out the holiday arrangements and other trading enhancements under Shanghai Connect and Shenzhen Connect with a view to providing investors with greater market availability and convenience. The Stock Exchange are also setting sights on growing the Connect model by expanding into other asset classes such as primary listings, commodities, bonds and more. By accomplishing these goals, the Stock Exchange believes it can uniquely contribute to Hong Kong's development as China's offshore wealth management centre, risk management centre and global asset pricing centre.

Taking into account (i) Hong Kong's leading position among global market in terms of funds raised through IPO; (ii) historical growth in the secondary market; and (iii) the increasing southbound transaction amount under the Shenzhen-Hong Kong Stock Connect, we are of the view that the prospect of securities market in Hong Kong remains promising.

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

As disclosed in the Letter from the Board, the Group acquired 51% interest in the Target Group under the Previous Acquisitions and since September 2016, the financial results of the Target Group have been consolidated into the consolidated financial statements of the Company. Since then, the Target Group has provided the Group with continuous positive contribution. The Directors have noted that based on the financial information of the Target Group which is set out in Appendix II to this circular that (i) although the Target Group recorded an increase in revenue for the year ended 31 March 2016 of approximately HK$27.5 million compared to the year ended 31 March 2015 of approximately HK$22.0 million, the Target Group recorded a decrease in the profit for the year of the Target Group for the year ended 31 March 2016 to approximately HK$5.9 million from approximately HK$7.7 million for the year ended 31 March 2015; and (ii) for the nine months ended 31 December 2016, the Target Group recorded a revenue of approximately HK$13.1 million and profit for the year of approximately HK$1.3 million, representing a decrease as compared to the year ended 31 March 2016. It was noted that (i) the increase in revenue for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was 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 decrease in profit for the year ended 31 March 2016 as compared to the year ended 31 March 2015 was mainly due to increase in general and administrative expense; and (ii) the decrease in revenue and profit for the nine months ended 31 December 2016 as compared to the year ended 31 March 2016 was mainly due to drop in revenue from daily trading commission and fund-raising businesses of the Target Group. According to the HKEX Fact Book 2016 issued by the Hong Kong Exchange and Clearing Limited, the total average daily turnovers in 2015 and 2016 were HK$105,630 million and HK$66,924 million and the total post-IPO funds raised for equities in 2015 and 2016 amounted to HK$853 billion and HK$295 billion respectively. It was observed that the corresponding decrease in revenue and hence the profit for the nine months ended 31 December 2016 as compared to the year ended 31 March 2016 was in line with the decreasing daily turnover and fund raising activities in the Hong Kong securities market during the period.

Nonetheless, it is expected that the market downturn is temporary and the securities market is expected to recover in near future as indicated by the recent growth trend of turnover value and trading volume and that the Shenzhen-Hong Kong Stock Connect launched at the end of 2016 and other measures to be launched by the Stock Exchange under the HKEX Strategic Plan 2016–18 will further boost the Hong Kong securities market, the Directors are optimistic on the growth opportunities in the financial services industry, given the increasing demand for financial services in Hong Kong with the increasing cooperation between the stock markets in Hong Kong and the PRC such as the launch of the Stock Connect program. The Board is of the view that with the potential development of the Shenzhen-Hong Kong Stock Connect, Hong Kong's securities market would allow opportunities for licensed corporations such as the Target Subsidiary which are carrying out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO, to benefit from this in the expected capital in-flow into the Hong Kong securities market which in turn would drive the demand for securities brokerage, margin financing, share placements and underwriting services. Moreover, it was also expected that with the licence for Type 9 (asset management) regulated activity under the SFO granted by the SFC to the Target Subsidiary in June 2016, the Company's intention to develop the Target Subsidiary to offer integrated sales, trading, investment advisory and asset management services would be further bolstered in response to the market trend.

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. Given Hong Kong's leading role as a major international financial centre, and in view of the historical and recent performance of the Target Subsidiary, the Directors are of the view that the Acquisition will provide a prime opportunity for the Group to continue to develop its newly acquired financial services business segment which is expected to give a positive impact to the operations, financial results and profitability of the Group.

As discussed in the section headed "Information of the Target Group" above, the Target Group has recorded profits over the past two financial years. As advised by the Directors, it is expected that the Target Group will continue to generate positive cash flow to the Group and the future prospects will remain positive after Completion given that the Company intends to retain the existing management team which will not cause any interruption to the operations of the Target Group after Completion.

As disclosed in "Financial Information of the Group" as set out in Appendix I to the Circular, in respect of the future plan and market strategy of the financial services business, the Target is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing and asset management services, among which securities brokerage is the main revenue stream. To complement the Target's securities brokerage services, the Target has successfully undertaken the roles of placing agents and underwriters for listed companies in different industries. The Target will focus on expanding its network with various listed companies for underwriting and placements services. Leveraging on the Target's prudent risk management policies to credit control, the Target strives to maintain the quality of the margin financing and seeks for additional funds through debt and equity markets. The asset management business generates revenue by charging management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. Since the third quarter of 2016, the Target has started marketing its professional image via various media to attract individual clients for securities brokerage and asset management businesses. All in all, such businesses above will complement the Target's securities brokerage service business. Moreover, individual talents are the key for the Target's success over the past. The Target will maintain the valuable assets of our employees and also increase the recruitments for its future development.

Having considered that (i) overall 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 and total trading volume; (ii) Hong Kong is one of the world's top five markets in terms of IPO fund raising amount in the past five years; (iii) the launch of Shenzhen-Hong Kong Stock Connect which would broaden the investor base of Hong Kong securities market; and (iv) the Target Group is able to generate revenue and profit with reference to its historical financial record, we concur with the Directors' view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

V. Principal terms of the SP Agreement

Date	:	24 February 2017
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 currently holds 49% of the issued share capital of the Target and is thus a substantial shareholder of a subsidiary of the Company. 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 each of Mr. Ng Man Chun Paul and 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$39,200,000. The Sale Shares represent 49% of the issued shares of the Target. The Group acquired 51% of the issued shares of the Target under the Previous Acquisitions.

Consideration

The Consideration of HK$39,200,000 shall be payable by the Purchaser to the Vendor at Completion.

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 and based on the valuation of 100% of the equity interests of the Target Group at HK$80,000,000, the same as that under the Previous Acquisitions which was set out in the circular of the Company dated 11 July 2016 in relation to the Previous Acquisitions. Although the Target Group recorded a lower profit before tax for each of the year ended 31 March 2016 and the nine-month period ended 31 December 2016 as compared to the that of approximately HK$7.7 million for the year ended 31 March 2015, taking into account (i) the decrease in revenue was mainly due to the overall market downturn in 2016 as evidenced by decrease in overall decrease in total turnover value and trading volume in Hong Kong securities market; (ii) the prospect of the Target Group, in which 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 SFO, and the Hong Kong securities market remain promising; (iii) it is expected that the market downturn is temporary and the securities market is expected to recover in near future as indicated by the recent growth trend of turnover value and trading volume; and (iv) it is expected that the Shenzhen-Hong Kong Stock Connect launched at the end of 2016 and other measures to be launched by the Stock Exchange under the HKEX Strategic Plan 2016–18 will further boost the Hong Kong securities market, the Company considered that there was no evidence which would make the Company believe that the declines in profit before tax are systemic or would continue for a pro-longed period affecting the revenue and profitability of the Target Group, the Company considered it fair and reasonable to adopt the same basis of consideration as that under the Previous Acquisitions.

The Consideration will be funded from the net proceeds of approximately HK$14.7 million from the placing of new Shares under general mandate of the Company which was completed on 21 April 2017, further particulars of which are set out in the announcements of the Company dated 31 March 2017 and 21 April 2017, and the remaining of which to be funded from the internal resources of the Group.

Other terms

As at the date of the SP Agreement, the Target was indebted to the Purchaser and the Vendor of shareholders' loan as to HK$30,600,000 and HK$29,400,000 respectively which were non-interest bearing and repayable on demand (collectively, the "**Shareholders' Loans**"). Pursuant to the SP Agreement, each of the Purchaser and the Vendor has undertaken to procure that the Company shall, subject to the Target Group's compliance with the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong) ("**FRR**") from time to time, repay or otherwise settle all outstanding amounts of the Shareholders' Loans on or before Completion and there being no new outstanding amount due to/from between the Purchaser or the Vendor and the Target Group immediately prior to Completion.

It is noted that the repayment of the Shareholders' Loans is at the Target level whose assets and liabilities have already been consolidated with that of the Company under the Previous Acquisitions and the liability relating to the Shareholders' Loan owing to the Vendor is already part of the Group's liability, as such, repayment of the Shareholders' Loans will not affect the net asset value of the Group. In addition, repayment of the Shareholders' Loans is subject to compliance with the FRR and thus we believe it will not have material adverse impact on the operations of the Target Group. Having considered the above, we are of the view that the Shareholders' Loans, being part of the terms under the SP Agreement, will not have adverse effect on the fairness and reasonableness of the Acquisition.

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

VI. Evaluation of the Consideration

In order to assess the fairness and reasonableness of the Consideration, we have considered various valuation approaches. There are three commonly adopted valuation methodologies in assessing the value of a business, being (i) the income approach; (ii) the cost approach; and (iii) the market approach. Income approach is not adopted because it would involve making assumptions which are subject to uncertainties; and the cost approach is not adopted because this approach is considered appropriate mainly for asset based business which is not the case of the Target Group. In respect of the market approach, we have considered (i) price-to-book ("**P/B**") ratio; and (ii) price-to-earning ("**P/E**") ratio, which are most widely used and accepted methods. We did not consider the P/B ratio is appropriate as 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 at least 50% 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 36 companies (the "**Comparable Companies**") and we believe, to our best knowledge, that they are exhaustive. Although the market capitalisation 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*
64	Get Nice Holdings Ltd.	Money lending; property development and holding and investment in financial instruments; real estate brokerage and provision of financial services.	2,254.63	463.71	4.86
111	Cinda International Holdings Ltd.	Corporate finance, securities broking, commodities and futures broking, financial planning and insurance broking, asset management.	665.57	41.08	16.20

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*
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.	810.53	N/A	N/A *(Note 5)*
211	Styland Holdings Ltd.	Investment holdings, financial services, mortgage financing, property development and investment and trading of securities.	951.56	1.25	763.08 *(Note 4)*
218	Shenwan Hongyuan (H.K.) Ltd.	Brokerage business, corporate finance business, asset management business, financing and loans business, investment and other business.	2,963.23	82.28	36.02 *(Note 4)*
227	First Shanghai Investments Ltd.	Securities investment, corporate finance and stockbroking, property development, property investment and hotel, direct investment and management.	1,751.01	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*
231	Ping An Securities Group (Holdings) Ltd.	Property investment and development, trading of goods in mainland China, provision of securities brokerage, securities underwriting and placements and financial advisory services.	1,624.97	N/A	N/A *(Note 5)*
279	Freeman FinTech 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.	7,047.48	N/A	N/A *(Note 5)*
290	China Fortune Financial Group Ltd.	Securities and insurance brokerage, margin financing, provision of corporate finance services and money lending services.	1,190.84	N/A	N/A *(Note 5)*
510	CASH Financial Services Group Ltd.	Provide 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	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*
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; investment holding.	1,086.07	N/A	N/A *(Note 5)*
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.	26,074.31	1,680.23	15.52
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.	4,893.85	525.62	9.31

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 Limited	Futures broking, securities broking and margin financing, corporate finance, wealth management and insurance agency, money lending and proprietary trading.	952.08	N/A	N/A *(Note 5)*
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.	1,298.73	N/A	N/A *(Note 5)*
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.	2,091.55	24.69	84.72 *(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*
993	Huarong International Financial Holdings Ltd	Broking and dealing of securities, futures and options contracts and provision of margin financing services; provides securities underwriting and sponsoring and financial advisory services, asset management services and direct investments.	10,155.36	550.91	18.43
1031	Kingston Financial Group Ltd.	Provision of securities brokerage, underwriting & placements, margin & IPO financing, corporate finance advisory services, futures brokerage & asset management services; provides gaming & hospitality services in Macau.	47,977.43	1,700.37	28.22
1141	Skyway Securities Group Ltd.	Investment holdings, securities investment, supply and procurement, real estate and provision of brokerage, securities margin financing and related services.	4,384.50	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*
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.	5,510.13	812.07 *(Note 6)*	6.79
1428	Bright Smart Securities & Commodities Group Ltd.	Provision of financial services, including securities broking, margin financing, commodities and futures broking and bullion trading.	4,897.53	325.48	15.05
1456	Guolian Securities Co., Ltd.	Provide financial products and services to individuals, corporations, financial institutions and government entities including brokerage, investment banking, asset management and investment, credit transactions and proprietary trading.	1,910.43	689.38 *(Note 6)*	2.77

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*
1469	Get Nice Financial Group Ltd.	Provision of financial services, including securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing and corporate finance services.	2,395.00	344.49	6.95
1476	Hengtai Securities Co., Ltd.	Provision of financial products & services to corporations, financial institutions, government entities & individuals, through brokerage & wealth management, investment management, proprietary trading & investment banking businesses.	1,574.35	513.83 *(Note 6)*	3.06
1776	GF Securities Co., Ltd.	Provide 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.	29,869.93	9,073.90 *(Note 6)*	3.29

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*
1788	Guotai Junan International Holdings Ltd.	Securities, futures, options and leveraged foreign exchange dealing and broking, corporate finance, asset management, loans and financing, investment holding and market making.	19,302.99	969.14	19.92
3908	China International Capital Corporation Ltd.	Investment banking business, equity sales and trading business, principal investment and trading business, wealth management business, investment management business and other business activities approved by the CSRC.	17,561.09	2,056.60 *(Note 6)*	8.54
3958	DFZQ	Provision of comprehensive financial products and services to clients.	8,253.61	2,614.82 *(Note 6)*	3.16
6030	CITIC Securities Co. Ltd.	Providing securities brokerage, investment banking, assets management and other related financial services.	39,004.97	11,712.45 *(Note 6)*	3.33
6066	CSC Financial Co., Ltd.	Provide investment banking, wealth management, trading and institutional client services, and investment management.	8,801.95	5,942.95 *(Note 6)*	1.48

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*
6099	China Merchants Securities Co., Ltd.	Offering of financial products and services including brokerage and wealth management, investment banking, investment management, investment and trading.	12,000.11	6,105.90 *(Note 6)*	1.97
6178	Everbright Securities Co. Ltd.	Offering of financial products and services to a large and diversified client base that includes enterprises, financial institutions, governments and individuals.	8,953.19	3,404.71 *(Note 6)*	2.63
6837	Haitong Securities Co., Ltd.	Securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management and provision of investment advisory and consultancy services.	49,902.45	9,088.59 *(Note 6)*	5.49
6881	China Galaxy Securities Co., Ltd.	Provision of comprehensive securities services including brokerage, sales and trading as well as investment banking and investment management.	28,715.86	5,823.51 *(Note 6)*	4.93

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*
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.	27,766.03	7,086.23 *(Note 6)*	3.92
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.	560.56	21.09	26.58
				(Note 4) **Average**	9.23
				(Note 4) **Median**	5.49
				(Note 4) **Maximum**	28.22
				(Note 4) **Minimum**	1.48
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 17 February to 23 February 2017, 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 49% equity interest of Target of approximately HK$39.2 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 approximately 5 times of the median of the Comparable Companies (i.e. 6.14 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 1.13 for the purpose of P/E ratio calculation.

As illustrated in the table above, P/E ratio of the Comparable Companies (excluding the Extremities) ranges from a minimum of approximately 1.48 times to a maximum of approximately 28.22 times (the "**Market P/E Range**") with an average of approximately 9.23 times and a median of approximately 5.49 times. Although the implied P/E ratios of the Target Group of approximately 13.60 times is above the average and the median of the P/E ratios of the Comparable Companies, it falls within the range of the P/E ratio of the Comparable Companies.

As advised by the Directors, although the Target Group recorded a lower profit figure of approximately HK$1.3 million for the nine-month period ended 31 December 2016 as compared to the that of HK$13.2 million in FP2015, the Company considered it fair and reasonable to adopt the same basis of consideration as the Previous Acquisitions, taking into account (i) the decrease in revenue was mainly due to the overall market downturn in 2016 as evidenced by decrease in overall decrease in total turnover value and trading volume in Hong Kong securities market; (ii) it is expected that the market downturn is temporary and the securities market is expected to recover in near future as indicated by the recent growth trend of turnover value and trading volume; (iii) it is expected that the Shenzhen-Hong Kong Stock Connect launched at the end of 2016 and other measures to be launched by the Stock Exchange under the HKEX Strategic Plan 2016–18 will further boost the Hong Kong securities market; and (iv) it is considered that the prospect of the Target Group and the Hong Kong securities market remain promising.

Having considered (i) the implied P/E ratio of the Target Group is within the Market P/E Range; (ii) the overall market performance as set out in the section headed "Brief industry review" above; (iii) no material change in financial position and trading position of the Target Group; and (iv) adoption of same valuation as previous acquisition, we concur with the Directors view 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 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 noted that the Target Group recorded net profit for the latest two financial years, 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$39.20 million will be settled in cash through internal resources, the cash position and the working capital of the Company are expected to decrease. Having considered the cash position of the Group of approximately HK$73.97 million as at 31 December 2016, we consider that the cash settlement of the Consideration 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 December 2016, based on the accountants' report of the Target Group as set out in Appendix II to the Circular, amounted to approximately HK$55.47 million. As referred to 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 decreased to approximately HK$359.43 million, given that the assets and liabilities of the Target Group have been consolidated with those of the Group and the consideration for the Acquisition will be settled in cash.

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, in particular, (i) reasons and benefits of the Acquisition; (ii) the basis of determination of Consideration; and (iii) the positive financial effects of the Acquisition, we are of the view that 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.

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 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 2014, the year ended 31 December 2015 and the year ended 31 December 2016, together with accompanying notes have been published in the annual reports of the Company for the year ended 31 December 2014 (pages 41 to 152), the year ended 31 December 2015 (pages 51 to 180) and the year ended 31 December 2016 (pages 70 to 192). The unaudited consolidated financial statements of the Group for the three months ended 31 March 2017 together with accompanying notes have been published in the first quarterly report of the Company for the three months ended 31 March 2017 (pages 3 to 17). 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 March 2017, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of HK$54,400,000 comprising (i) secured other borrowings HK$25,000,000, and (ii) amount due to a non-controlling interest of HK$29,400,000.

The secured other borrowings are secured by corporate guarantee executed by the Company.

The amount due to a non-controlling interest is non-trade nature, 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 March 2017, 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.

3. WORKING CAPITAL STATEMENT

The Directors are of the opinion that, after taking into account the financial resources presently available to the Group, in the absence of unforeseeable circumstance, the 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 2016, being the date on which the latest published audited financial statements of the Company were made up.

As disclosed in the first quarterly report 2017 of the Company, among other things, the Company recorded a loss attributable to owners of the Company of approximately HK$3,249,000 for the three months ended 31 March 2017 ("**2017Q1**"), as opposed to a profit attributable to owners of the Company of approximately HK$2,054,000 for the corresponding period in 2016. As disclosed in the first quarterly report 2017 of the Company, such loss was mainly attributable to the fluctuation in the Hong Kong stock market during 2017Q1, which resulted in losses of approximately HK$4,212,000 on financial assets at fair value through profit or loss during 2017Q1 as compared to profit of approximately HK$3,913,000 on financial assets at fair value through profit or loss during the corresponding period in 2016. The financial assets at fair value through profit or loss are mainly composed of equity securities listed in Hong Kong with their fair value based on the quoted market price. In addition, the agriculture business of the Group recorded a loss during 2017Q1, as compared to a profit recorded for the corresponding period in 2016. The decrease in profit for 2017Q1 was partially set off by profit from the financial services business of the Target Group and gains from disposal of an indirect non-wholly owned subsidiary of the Company in March 2017. Nonetheless, the Company recorded an increase of approximately 75% in the revenue of the Group from continuing operations for 2017Q1 of approximately HK$15,351,000 as compared with that for the corresponding period in 2016. The Directors consider that, given that the financial results for 2017Q1 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 Group

Following the disposal of the breeding and sale of live swine business, the remaining agricultural business of the Group will mainly involve the manufacturing, development and distribution of feedstock products and related activities. The Group remains committed to take a flexible and cautious approach to the operation of feedstock products business by formulating our business strategies based on the market development.

The Group expects that the financial services business will become one of the major growth drivers. In order to consolidate its position in the financial services industry, the Group will continue to allocate resources to the financial services business, and believes that such business will help to broaden the Group's income sources. In addition, the Directors remain optimistic about the growth potentials in the money lending market of Hong Kong, and will take measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

The Board is always committed to seeking opportunities for new business and performance growth, with an aim to expanding the Company's scope of operation and investments whenever the right opportunities arise. Leveraging on the solid foundation supported by its existing core businesses, the Group will formulate business strategies according to the market trends and continue to explore new investment opportunities, in an effort to enhance the Group's long term profitability. In addition, the Group will carefully review the development in all segments, and will allocate more resources to the business with sustainable growth potential. The Board believes that the Group's strategic investments and diversified businesses will help to boost performances and consolidate the Group's market position, enhancing the Shareholders' value.

In respect of the future plan and market strategy of the financial services business, the Target Subsidiary is principally engaged in the provision of a wide range of financial services which include securities brokerage, underwriting and placements, margin and initial public offering financing and asset management services, among which securities brokerage is the main revenue stream. To complement the Target Subsidiary's securities brokerage services, the Target Subsidiary has successfully undertaken the roles of placing agents and underwriters for listed companies in different industries. The Target Subsidiary will focus on expanding its network with various listed companies for underwriting and placements services. Leveraging on the Target Subsidiary's prudent risk management policies to credit control, the Target Subsidiary strives to maintain the quality of the margin financing and seeks for additional funds through debt and equity markets. The asset management business generates revenue by charging management fees and incentive fees based on the amount of assets under management, and returns of portfolios, respectively. Since the third quarter of 2016, the Target Subsidiary has started marketing its professional image via various media to attract individual clients for securities brokerage and asset management businesses. All in all, such businesses above will complement the Target Subsidiary's securities brokerage service business. Moreover, individual talents are the key for the Target Subsidiary's success over the past. The Target Subsidiary will maintain the valuable assets of our employees and also increase the recruitments for its future development.

6. EFFECT OF THE ACQUISITION

The financial results of the Target Group has been consolidated into the Group's financial statements since completion of the Previous Acquisitions. Upon Completion, the Group will hold 100% equity interest in the Target Group and the financial results of the Target Group will continue to be consolidated into the financial accounts of the Group.

As at 31 December 2016, the audited consolidated total assets and total liabilities of the Company amounted to approximately HK$506,433,000 and HK$107,052,000 respectively.

Assets

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular which has been prepared as if the Acquisition had been completed on 31 December 2016, upon Completion, the unaudited pro forma consolidated total assets of the Company would decrease from HK$506,433,000 to HK$437,083,000.

Liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular which has been prepared as if the Acquisition had been completed on 31 December 2016, upon Completion, the unaudited pro forma consolidated total liabilities of the Company would decrease from HK$107,052,000 to HK$77,652,000.

Earnings

The financial results of the Target Group will continue to be consolidated with those of the Group.

7. EVENTS AFTER 31 DECEMBER 2016 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 9 November 2016, the Company proposed the change of the English name of the Company from "China Demeter Investments Limited" to "China Demeter Financial Investments Limited" and its secondary name in Chinese from "中國神農投資有限公司" to "國農金融投資有限公司". As disclosed in the announcement of the Company dated 2 December 2016, the resolution in relation to the change of name of the Company was duly passed by the Shareholders as a special resolution by way of poll and as disclosed in the announcement of the Company dated 9 January 2017, the change of name took effect on 13 January 2017.

(2) As disclosed in the announcement of the Company dated 18 January 2017 and the circular of the Company dated 20 February 2017, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with He Xiongfeng to dispose of the equity interest in 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC which is principally engaged in principally engaged in breeding and sales of live swine in the PRC, at a consideration of RMB1,100,000. As disclosed in the poll results announcement of the Company dated 8 March 2017 the relevant resolution to approve such disposal was duly passed by the Shareholders by way of poll. The disposal was completed in March 2017.

(3) As disclosed in the announcement of the Company dated 31 March 2017, the Company and Astrum Capital Management Limited entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best endeavour basis, up to 153,800,000 placing shares, to not less than six placees who and whose ultimate beneficial owner are independent third parties at a price of HK$0.1 per placing share. As disclosed in the announcement of the Company dated 21 April 2017, completion of the placing took place on 21 April 2017 in accordance with the terms of the placing agreement and the Company received net proceeds of approximately HK$14.7 million (after deduction of commission and other expenses of the placing).

(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

19 May 2017

The Directors
China Demeter Financial 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 2015 and 2016 and 31 December 2016 (the "Relevant Periods"), for inclusion in the circular of China Demeter Financial Investments Limited (the "Company") dated 19 May 2017 (the "Circular") in connection with the major and connected transaction in relation to the proposed acquisition by Golden Harvest Holdings Limited, an indirect wholly-owned subsidiary of the Company, of the remaining 49% of the issued shares 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 is owned as to 51% by Golden Harvest Holdings Limited and 49% by Trinity Worldwide Capital Holding Limited, a company incorporated in the BVI with limited liability.

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 (the "Target Subsidiary")	Hong Kong, 27 January 2010	HK$60,000,000	100% (direct)	Advising and dealing in securities and asset management

For the years ended 31 March 2015 and 2016 respectively, the Target Group have adopted 31 March as its financial year end date. In November 2016, the Target Group has resolved that the financial year end date of the Target Group to change from 31 March to 31 December commencing from 1 April 2016. Accordingly, all companies now comprising the Target Group have adopted 31 December 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 2015 and 2016 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. The statutory audited financial statements of the Target Subsidiary for the year ended 31 December 2016 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by us.

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 2015, 31 March 2016 and 31 December 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 2015 HK$'000	Year ended 31 March 2016 HK$'000	Year ended 31 December 2016 HK$'000
Revenue	8	21,998	27,502	13,084
Other income and gains	9	17	16	1,463
General and administrative expenses		(13,367)	(19,795)	(13,102)
Change in fair value of financial assets through profit or loss		636	27	3
Change in fair value of derivative financial instruments		–	10	2
Finance costs	10	(42)	(350)	(72)
Profit before tax	11	9,242	7,410	1,378
Income tax expense	12	(1,502)	(1,526)	(32)
Profit and total comprehensive income for the year		7,740	5,884	1,346

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

Consolidated Statements of Financial Position

	Notes	At 31 March 2015 HK$'000	At 31 March 2016 HK$'000	At 31 December 2016 HK$'000
Non-current assets				
Property, plant and equipment	16	1,834	1,388	1,012
Intangible asset	17	500	500	500
Other assets	18	275	275	230
Deferred tax assets	28	–	–	11
		2,609	2,163	1,753
Current assets				
Trade receivables	19	48,035	60,132	109,411
Deposits, prepayments and other receivables	20	1,510	1,824	1,793
Financial assets at fair value through profit or loss	21	60	917	99
Trust bank accounts	22	60,536	54,584	26,998
Cash and cash equivalents	22	19,767	3,745	33,360
Tax recoverable		1,638	–	–
		131,546	121,202	171,661
Current liabilities				
Trade payables	23	76,297	55,313	55,967
Other payables and accruals		165	204	1,224
Derivative financial instruments	24	–	5	6
Amount due to ultimate holding company	25	–	–	9
Amount due to immediate holding company	25	–	–	30,600
Amount due to a shareholder	25	–	1	29,400
Amount due to a director	26	–	2,000	–
Bank borrowings	27	8,350	11,493	470
Current tax liabilities		–	192	269
		84,812	69,208	117,945

	Notes	At 31 March 2015 HK$'000	At 31 March 2016 HK$'000	At 31 December 2016 HK$'000
Net current assets		46,734	51,994	53,716
Total assets less current liabilities		49,343	54,157	55,469
Non-current liabilities				
Deferred tax liabilities	*28*	89	34	–
Net assets		49,254	54,123	55,469
Capital and reserves				
Share capital	*29*	30,000	5	5
Reserves	*30*	19,254	54,118	55,464
Total equity		49,254	54,123	55,469

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 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
Profit and total comprehensive income for the year	–	–	1,346	1,346
Balance at 31 December 2016	5	60,000	(4,536)	55,469

Consolidated Statements of Cash Flows

	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities			
Profit before tax	9,242	7,410	1,378
Adjustments for:			
Finance costs	42	350	72
Interest income	(2,515)	(4,039)	(3,722)
Depreciation of property, plant and equipment	552	569	436
Impairment loss recognised on trade receivables	–	1,970	271
Reversal of impairment of trade receivables	–	–	(1,336)
Change in fair value of financial assets through profit or loss	(636)	(27)	(3)
Change in fair value of derivative financial instruments	–	(10)	(2)
	6,685	6,223	(2,906)
Movements in working capital			
Decrease in other assets	–	–	45
Increase in trade receivables	(16,828)	(14,067)	(48,214)
(Increase)/decrease in deposits, prepayments and other receivables	(626)	(314)	31
Decrease/(increase) in fair value of financial assets through profit or loss	580	(830)	821
Decrease in trust bank accounts	7,090	5,952	27,586
(Decrease)/increase in trade payables	(11,506)	(20,984)	654
(Decrease)/increase in other payables and accruals	(44)	39	1,020
Increase in derivative financial instruments	–	15	3
Increase in amount due to ultimate holding company	–	–	9
Increase/(decrease) in amount due to a shareholder	–	1	(1)
Increase/(decrease) in amount due to a director	–	2,000	(2,000)

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Cash used in operations	(14,649)	(21,965)	(22,952)
Interest received	2,498	4,023	3,713
Interest paid	(6)	(6)	(2)
Income tax (paid)/refunded	(6,052)	249	–
Net cash used in operating activities	(18,209)	(17,699)	(19,241)
Cash flows from investing activities			
Interest received	17	16	9
Payments for property, plant and equipment	(2,359)	(123)	(60)
Net cash used in investing activities	(2,342)	(107)	(51)
Cash flows from financing activities			
Interest paid	(36)	(344)	(70)
Issue of ordinary shares	–	5	–
Increase in amount due to immediate holding company	–	–	30,600
Increase in amount due to a shareholder	–	–	29,400
Proceeds from bank borrowings	9,000	23,172	–
Repayment of bank borrowings	(650)	(20,029)	(11,023)
Dividends paid	–	(1,020)	–
Net cash generated from financing activities	8,314	1,784	48,907
Net (decrease)/increase in cash and cash equivalents	(12,237)	(16,022)	29,615
Cash and cash equivalents at the beginning of year	32,004	19,767	3,745
Cash and cash equivalents at the end of year	19,767	3,745	33,360

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.

As at the date of this report, the Target is owned as to 51% by Golden Harvest Holdings Limited, an indirect wholly-owned subsidiary of the Company and 49% by Trinity Worldwide Capital Holding Limited ("Trinity Worldwide"), a company incorporated in the BVI with limited liability and is wholly-owned by Mr. Ng Ting Kit ("Mr. Ng"). In the opinion of the directors of the Target, the immediate holding company and ultimate holding company of the Target are Golden Harvest Holdings Limited and the Company respectively.

The Target is an investment holding company and the principal activities of the Target Group are advising and dealing in securities and asset management. 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 and asset management. 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 Futures Ordinance ("SFO").

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 name 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 held by Mr. Ng, the then 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.

In November 2016, the financial year date of both the Target and the Target Subsidiary was changed from 31 March to 31 December commencing from the financial year 2016. Accordingly, the Financial Information for the year ended 31 December 2016 cover the nine months period from 1 April 2016 to 31 December 2016. The corresponding amounts shown for the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows and related notes thereon cover the twelve months period from 1 April 2014 to 31 March 2015 and the twelve months period from 1 April 2015 to 31 March 2016 and therefore may not be comparable with the amounts shown for the year ended 31 December 2016.

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 2016 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.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrecognised Losses*[1]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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 15	*Clarification to HKFRS 15 Revenue from Contracts with Customers*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

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.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it became effective. HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Subject to limited exceptions for short-term leases and low value assets, distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees. However, the standard does not significantly change the accounting of lessors. Application of HKFRS 16 will result in the Target Group's recognition of right-of-use assets and corresponding liabilities in respect of many of the Target Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these Financial Information. Total operating lease commitments of the Target Group in respect of land and buildings as at 31 December 2016 amounted to approximately HK$2,545,000 (Note 33). The management of the Target Group do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Target Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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 except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policy set out below. 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:

- 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 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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand, at banks and securities brokers, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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 excluded any dividend or interest earned on the financial asset and is included in the 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, trust bank accounts and cash and cash equivalents) 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, other than those at FVTPL, 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

Classification as debt or equity

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 ultimate holding company, amount due to immediate holding company, amount due to shareholder, 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.

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.

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.

6. CAPITAL RISK MANAGEMENT

The Target Group's objectives when managing capital is to safeguard the Target Group's ability to continue as 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 ultimate holding company, amount due to immediate holding company, amount due to a shareholder, amount due to a director and bank borrowings as disclosed in notes 25, 25, 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 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Financial assets			
Fair value through profit or loss:			
Held for trading	60	917	99
Loans and receivables:			
Other assets	275	275	230
Trade receivables	48,035	60,132	109,411
Deposits and other receivables	1,138	1,577	1,199
Trust bank accounts	60,536	54,584	26,998
Cash and cash equivalents	19,767	3,745	33,360
Financial liabilities			
Fair value through profit or loss:			
Derivative financial instruments	–	5	6
Financial liabilities at amortised cost:			
Trade payables	76,297	55,313	55,967
Other payables and accruals	165	204	1,224
Amount due to ultimate holding company	–	–	9
Amount due to immediate holding company	–	–	30,600
Amount due to a shareholder	–	1	29,400
Amount due to a director	–	2,000	–
Bank borrowings	8,350	11,493	470

(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, trust bank accounts, cash and cash equivalents, trade payables, other payables and accruals, derivative financial instruments, amount due to ultimate holding company, amount due to immediate holding company, amount due to a shareholder, 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 which is typically prime-based, 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 and financial liabilities 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$42,000, HK$57,000 and HK$2,000 for the years ended 31 March 2015 and 2016 and 31 December 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.

(iii) 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.

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

	Effective interest rate	On demand or within one year *HK$'000*	Over one year *HK$'000*	Total undiscounted cash flows *HK$'000*	Total carrying amounts *HK$'000*
At 31 December 2016					
Non-derivatives financial liabilities					
Trade payables	N/A	55,967	–	55,967	55,967
Other payables and accruals	N/A	1,224	–	1,224	1,224
Amount due to ultimate holding company	N/A	9	–	9	9
Amount due to immediate holding company	N/A	30,600	–	30,600	30,600
Amount due to a shareholder	N/A	29,400	–	29,400	29,400
Bank borrowings	2.75%	470	–	470	470
		117,670	–	117,670	117,670
Derivative financial liabilities					
Derivative financial instruments		6	–	6	6

(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 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Financial assets included in Level 1:			
Financial assets at fair value through profit or loss *(Note 21)*	60	917	99
Financial liabilities included in Level 1:			
Derivative financial instruments *(Note 24)*	–	5	6

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.

Financial assets and financial liabilities offsetting

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement.

Under the agreement of continuous net settlement made between the Target Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Target Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Target Group intends to settle on a net basis.

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial assets/ (liabilities) set off in the consolidated statements of financial position	Net amounts of financial assets/ (liabilities) presented in the consolidated statements of financial position	Related amounts not offset in the consolidated statements of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2015						
Financial assets						
Trade receivables						
– clearing house	19,493	(10,160)	9,333	–	–	9,333
Financial liabilities						
Trade payables						
– clearing house	(11,587)	10,160	(1,427)	–	–	(1,427)
Year ended 31 March 2016						
Financial assets						
Trade receivables						
– clearing house	3,335	(2,541)	794	–	–	794
Financial liabilities						
Trade payables						
– clearing house	(3,615)	2,541	(1,074)	–	–	(1,074)
Year ended 31 December 2016						
Financial assets						
Trade receivables						
– clearing house	16,515	(10,299)	6,216	–	–	6,216
Financial liabilities						
Trade payables						
– clearing house	(35,542)	10,299	(25,243)	–	–	(25,243)

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 and asset management. 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 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Commission income from securities dealing	9,352	9,734	4,882
Placing and underwriting commission	9,345	13,443	4,344
Commission income from initial public offering financing	7	2	2
Clearing and handling fee income	796	300	143
Interest income from securities dealing	2,498	4,023	3,713
	21,998	27,502	13,084

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 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Customer A	2,936	N/A[1]	N/A[1]
Customer B	N/A[1]	6,070	N/A[1]
Customer C	N/A[1]	N/A[1]	2,106
Customer D	N/A[1]	N/A[1]	2,118

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

9. OTHER INCOME AND GAINS

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Interest income from authorised financial institutions	17	16	9
Sundry income	–	–	117
Net foreign exchange gains	–	–	1
Reversal of impairment of trade receivables	–	–	1,336
	17	16	1,463

10. FINANCE COSTS

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Interest expenses on:			
– bank borrowings	36	344	70
– others	6	6	2
	42	350	72

11. PROFIT BEFORE TAX

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Profit before tax has been arrived at after charging:			
Auditors' remuneration	80	110	–
Commission expenses *(Note (i))*	1,374	2,443	12
Depreciation of property, plant and equipment	552	569	436
Impairment loss on trade receivables	–	1,970	271
Net foreign exchange losses	1	4	–
Operating lease payments in respect of rented office premises *(Note (ii))*	1,943	2,019	1,514
Employee benefits expense:			
Salaries and other benefits	5,156	8,862	7,666
Contributions to retirement benefit scheme	149	185	171
Total employee benefits expense, including directors' emoluments *(Note 13)*	5,305	9,047	7,837

Notes:

(i) Amounts excluded commission expenses paid to employees of the Target Group of approximately HK$33,000, HK$5,000 and HK$63,000 during the years ended 31 March 2015 and 2016 and 31 December 2016 respectively which were included in "Salaries and other benefits" disclosed above.

(ii) Amounts excluded director's quarter of approximately HK$1,650,000, HK$1,800,000 and HK$1,382,000 during the years ended 31 March 2015 and 2016 and 31 December 2016 respectively which were included in "Salaries and other benefits" disclosed above.

12. INCOME TAX EXPENSE

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Current tax:			
– Hong Kong Profits Tax	1,370	1,581	77
Deferred tax *(Note 28)*:	132	(55)	(45)
	1,502	1,526	32

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

	Year ended 31 March 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Profit before tax	9,242	7,410	1,378
Tax at Hong Kong Profits Tax rate of 16.5%	1,525	1,223	227
Tax effect of expenses not deductible for tax purpose	–	325	47
Tax effect of income not taxable for tax purpose	(3)	(2)	(222)
Tax reduction	(20)	(20)	(20)
Income tax expense for the year	1,502	1,526	32

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 2015					
Mr. Ng *(Note (i))*	–	1,650	–	–	1,650
Mr. Yip Kai Pong ("Mr. Yip") *(Note (ii))*	–	410	100	18	528
	–	2,060	100	18	2,178
For the year ended 31 March 2016					
Mr. Ng *(Note (i))*	–	2,650	2,000	17	4,667
Mr. Yip *(Note (ii))*	–	488	120	18	626
	–	3,138	2,120	35	5,293
For the year ended 31 December 2016					
Mr. Ng *(Note (i))*	–	2,732	300	14	3,046
Mr. Yip *(Note (ii))*	–	396	44	14	454
Mr. Lam Ka Hang *(Note (iii))*	–	396	33	6	435
Mr. Lam Chun Kei *(Note (iv))*	–	–	–	–	–
	–	3,524	377	34	3,935

Notes:

(i) Appointed on 28 September 2015.

(ii) Appointed on 5 January 2016 and resigned on 4 January 2017.

(iii) Appointed on 10 November 2016 and resigned on 4 January 2017.

(iv) Appointed on 2 September 2016.

Mr. Ng, Mr. Yip, Mr. Lam Ka Hang and Mr. Lam Chun Kei are 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, two, two and three of them are directors of the Target for the years ended 31 March 2015 and 2016 and 31 December 2016 respectively whose emoluments are disclosed above. The emoluments in respect of the remaining three, three and two individuals for the years ended 31 March 2015 and 2016 and 31 December 2016 respectively are as follows:

	Year ended 31 March 2015	Year ended 31 March 2016	Year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other benefits	936	886	828
Discretionary bonuses	72	250	154
Contributions to retirement benefit scheme	47	41	27
Total emoluments	1,055	1,177	1,009

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 2015	Year ended 31 March 2016	Year ended 31 December 2016
Nil to HK$1,000,000	3	3	2

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 2015	Year ended 31 March 2016	Year ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Dividends recognised as distribution	–	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	Furniture and fixtures	Computer and office equipment	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
Balance at 1 April 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
Additions	–	–	60	–	60
Balance at 31 December 2016	1,000	357	1,347	746	3,450
Accumulated depreciation					
Balance at 1 April 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
Depreciation expense	150	66	82	138	436
Balance at 31 December 2016	547	238	1,138	515	2,438
Carrying amounts					
Balance at 31 March 2015	792	242	241	559	1,834
Balance at 31 March 2016	603	185	231	369	1,388
Balance at 31 December 2016	453	119	209	231	1,012

17. INTANGIBLE ASSET

	Stock Exchange trading rights *HK$'000*
Cost and carrying amount	
Balance at 1 April 2014 and 31 March 2015 and 2016 and 31 December 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 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 with indefinite useful live are allocated to the financial services business cash-generating unit ("CGU") for impairment assessment. The recoverable amount of this CGU 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%. 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.

Based on the value in use calculation, the directors of the Target considered that the recoverable amount of this CGU was found to be more than its carrying amount. Accordingly, no impairment loss of the trading rights has been recognised for the year ended 31 December 2016.

18. OTHER ASSETS

Other assets represent statutory deposits with the Stock Exchange and clearing house and are non-interest bearing.

19. TRADE RECEIVABLES

	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Trade receivables arising from the ordinary course of business of:			
Dealing in securities:			
– Cash clients	9,189	7,975	27,237
– Margin clients	29,513	53,333	76,863
– Clearing house	9,333	794	6,216
	48,035	62,102	110,316
Less: allowance for doubtful debts	–	(1,970)	(905)
	48,035	60,132	109,411

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 2015 and 2016 and 31 December 2016, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$168,529,000, HK$135,015,000 and HK$148,627,000 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 2015	**At 31 March 2016**	**At 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	16,145	1,313	32,277
Past due but not impaired:			
Less than 1 month	922	2,755	225
1 to 3 months	962	1,235	–
Over 3 months	493	1,496	46
	18,522	6,799	32,548

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 purchased securities and past collection history of each client.

Movements in the allowance for impaired debts are as follows:

	At 31 March 2015	**At 31 March 2016**	**At 31 December 2016**
	HK$'000	*HK$'000*	*HK$'000*
Balance at the beginning of year	–	–	1,970
Impairment losses recognised on receivables	–	1,970	271
Amount recovered during the year	–	–	(1,336)
Balance at the end of year	–	1,970	905

At 31 December 2016, additional impairment allowances of approximately HK$271,000 were individually determined and has been made for cash clients with an aggregate outstanding balance of approximately HK$717,000. No further impairment allowance is considered necessary for the remaining balances based on the Target Group's evaluation of their collectability. During the year ended 31 December 2016, impairment loss of trade receivables of approximately HK$1,336,000 was recovered and reversed.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 31 March 2015	At 31 March 2016	At 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Deposits and other receivables	1,138	1,577	1,199
Prepayments	372	247	594
	1,510	1,824	1,793

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 31 March 2015	At 31 March 2016	At 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Held-for-trading investments			
Equity securities listed in Hong Kong	60	917	99

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

22. CASH AND CASH EQUIVALENTS/TRUST BANK ACCOUNTS

	At 31 March 2015	At 31 March 2016	At 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Cash and cash equivalents	19,767	3,745	33,360
Trust bank accounts	60,536	54,584	26,998
	80,303	58,329	60,358

Cash and cash equivalents comprise cash held by the Target Group, deposits placed with securities brokers and short-term bank deposits with an original maturity of three months or less. Bank balances that earn interest at floating rate based on daily bank deposit rates and short-term time deposits that earn interest at the respective short-term deposit rates. The bank balances and short-term time deposits are deposited with creditworthy banks with no recent history of default.

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. The Target Group currently does not have an enforceable right to offset those payables with the deposits placed and not permitted to use the clients' monies to settle its own obligations.

23. TRADE PAYABLES

	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Trade payables arising from the ordinary course of business of dealing in securities:			
– Cash clients	40,256	17,731	21,880
– Margin clients	34,614	36,508	8,844
– Clearing house	1,427	1,074	25,243
	76,297	55,313	55,967

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 2015 and 2016 and 31 December 2016, the trade payables amounting to approximately HK$60,536,000, HK$54,584,000 and HK$26,998,000 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.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	At 31 March 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Call options	–	5	6

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

25. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/A SHAREHOLDER

The amounts due to ultimate holding company and immediate holding company are unsecured, interest-free and repayable on demand. The amount due to a shareholder, Trinity Worldwide, 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 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Bank borrowings	8,350	11,493	470

Notes:

(i) Bank borrowings of approximately HK$8,350,000, HK$11,493,000 and HK$470,000 as at 31 March 2015 and 2016 and 31 December 2016 respectively contain a repayable on demand clauses and have been classified as current liabilities.

(ii) The bank borrowings carry interest rates ranged from 2.75% to 2.86% per annum as at 31 March 2015 and 2016 and carry interest rate at 2.75% per annum as at 31 December 2016.

(iii) The banking facilities and revolving loan facility granted by certain banks were backed 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.

(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. The Target Group did not have any banking overdraft and revolving loan facilities as at 31 December 2016.

28. DEFERRED TAXATION

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

	Accelerated/ (decelerated) tax depreciation *HK$'000*
At 1 April 2014	(43)
Charge to profit or loss	132
At 31 March 2015	89
Credit to profit or loss	(55)
At 31 March 2016	34
Credit to profit or loss	(45)
At 31 December 2016	(11)

29. SHARE CAPITAL

For the purpose of the preparation of the consolidated statements of financial position, the balance of share capital at 31 March 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 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. On 2 September 2016, Trinity Worldwide disposed a further 264 ordinary shares of the Target to Golden Harvest Holdings Limited at a consideration of HK$35,200,000. Since then, Golden Harvest Holdings Limited holds in aggregate 51% equity interest in the Target Group and the Target Group became non-wholly-owned subsidiaries of the Company.

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 amount to approximately HK$149,000, HK$185,000 and HK$171,000 for the years ended 31 March 2015 and 2016 and 31 December 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 2015 and 2016 and 31 December 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 nil, approximately HK$7,599,000 and nil respectively. The market value of the collateral repledged to the bank as at 31 March 2015 and 2016 and 31 December 2016 amounted to nil, approximately HK$16,755,000 and nil respectively.

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 2015	At 31 March 2016	At 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*
Land and buildings			
Within one year	3,819	1,976	2,006
In the second to fifth years inclusive	1,976	–	539
	5,795	1,976	2,545
Plant and equipment			
Within one year	21	21	21
In the second to fifth years inclusive	75	54	39
	96	75	60

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

(iii) Other commitments

At 31 March 2016 and 31 December 2016, the Target Group entered into sub-underwriting agreements with independent third parties in relation to right issue of shares and placing of shares and had gross commitment of approximately HK$7,680,000 and HK$3,100,000 respectively. At 31 March 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 2015** *HK$'000*	**Year ended 31 March 2016** *HK$'000*	**Year ended 31 December 2016** *HK$'000*
Mr. Ng	Commission income from securities dealing	*(a)*	196	22	46
Mr. Yip	Commission income from securities dealing	*(a)*	1	1	–
Close family members of Mr. Ng	Commission income from securities dealing	*(b)*	50	29	35
	Interest income from securities dealing	*(c)*	–	–	22
	Placing commission	*(d)*	16	–	105
A company wholly-owned by a close family member of Mr. Ng	Commission income from securities dealing	*(b)*	15	11	3
	Interest income from securities dealing	*(c)*	4	–	–
	Placing commission	*(d)*	–	180	–
A company wholly-owned by Mr. Ng	Commission income from securities dealing	*(b)*	52	5	7
	Interest income from securities dealing	*(c)*	–	–	2
Close family members of Mr. Yip	Commission income from securities dealing	*(b)*	6	50	1
	Interest income from securities dealing	*(c)*	8	87	2
	Placing commission	*(d)*	11	103	–
Companies wholly-owned by Mr. Yip	Commission income from securities dealing	*(b)*	57	30	31
	Interest income from securities dealing	*(c)*	1	–	–
Mr. Lam Ka Hang	Commission income from securities dealing	*(a)*	–	–	58
	Interest income from securities dealing	*(c)*	–	–	11
Town Ally Enterprise Limited, an indirectly wholly-owned subsidiary of the Company	Commission income from securities dealing	*(b)*	–	–	106

Notes:

(a) Mr. Ng, Mr. Yip and Mr. Lam Ka Hang 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 0.25%

(c) The interest income received from securities dealing 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 2015 *HK$'000*	At 31 March 2016 *HK$'000*	At 31 December 2016 *HK$'000*
Mr. Ng	Cash account	(175)	(142)	(160)
	Margin account	(2,706)	(7,576)	(35)
Mr. Yip	Cash account	(236)	(1)	(23)
Close family members of Mr. Ng	Cash account	(77)	(278)	(339)
	Margin account	–	6,585	(1,118)
A company wholly-owned by a close family member of Mr. Ng	Cash account	(5)	(1,104)	(284)
A company wholly-owned by Mr. Ng	Cash account	(2,577)	(8,171)	(67)
	Margin account	–	–	622
Close family members of Mr. Yip	Cash account	(67)	411	(18)
Companies wholly-owned by Mr. Yip	Margin account	(8)	(848)	(2,735)
Mr. Lam Ka Hang	Margin account	–	–	(505)
Town Ally Enterprise Limited	Cash account	–	–	8,773

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

(iii) Guarantee 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, 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 2015 *HK$'000*	Year ended 31 March 2016 *HK$'000*	Year ended 31 December 2016 *HK$'000*
Short-term employee benefits	2,160	5,258	3,901
Post-employment benefits	18	35	34
	2,178	5,293	3,935

35. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE TARGET

Statement of financial position of the Target

	As at 31 March 2016 *HK$'000*	As at 31 December 2016 *HK$'000*
Non-current assets		
Investment in a subsidiary	–	–
Current liabilities		
Amount due to ultimate holding company	–	9
Amount due to a shareholder	1	–
Other payables and accruals	–	4
	1	13
Net current liabilities	(1)	(13)
Net liabilities	(1)	(13)
Capital and reserves		
Equity attributable to owners of the Target		
Share capital	5	5
Reserves	(6)	(18)
Total equity	(1)	(13)

Reserve movement of the Target

	Accumulated losses *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)
Loss and total comprehensive expense for the period	(12)
Balance at 31 December 2016	(18)

B. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group have been prepared in respect of any period subsequent to 31 December 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 AND THE NINE MONTHS ENDED 31 DECEMBER 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 operations, 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 in general 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. However, the shrinking average daily turnover and fund raising activities for the nine months ended 31 December 2016 led to a drop in the securities dealing and margin financing of the Target Subsidiary and placing and underwriting commission. 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.

For the years ended 31 March 2015 and 31 March 2016 respectively, the Target Group have adopted 31 March as its financial year end date. On 9 November 2016, the Target Group has resolved that the financial year end date of the Target Group was changed from 31 March to 31 December commencing from 1 April 2016. Accordingly, the financial information for the year ended 31 December 2016 of the Target Group cover the nine months period from 1 April 2016 to 31 December 2016.

Set out below is the financial summary on the Target Group for the years ended 31 March 2014, 2015 and 2016 and for the nine months ended 31 December 2016:

	For the year ended 31 March 2014	For the year ended 31 March 2015	For the year ended 31 March 2016	For the nine months ended 31 December 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	26,365	21,998	27,502	13,084
Profit before taxation	17,908	9,242	7,410	1,378
Profit after taxation	14,965	7,740	5,884	1,346

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 and for the nine months ended 31 December 2016 of approximately HK$13,084,000, 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 year 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.

For the nine months ended 31 December 2016, the Target Group recorded a revenue of approximately HK$13,084,000. As compared to the year ended 31 March 2016, the decrease in the revenue was mainly due to the decreasing daily turnover and fund raising activities in the Hong Kong securities market. According to the HKEX Fact Book 2016 issued by the Hong Kong Exchange and Clearing Limited, the total average daily turnovers in 2015 and 2016 were HK$105,630 million and HK$66,924 million. The total post-IPO funds raised for equities in 2015 and 2016 amounted to HK$853 billion and HK$295 billion respectively.

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 and of approximately HK$12,000 for the nine months ended 31 December 2016, 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.

For the nine months ended 31 December 2016, the Target Group recorded a commission expense of approximately HK$12,000. As compared to the year ended 31 March 2016, the decrease in the commission expense was mainly due to a decrease in trading of securities, underwriting and placing transactions being carried out as a result of the shrinking average daily turnover and decrease in fund raising activities in Hong Kong securities 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 and of approximately HK$7,837,000 for the nine months ended 31 December 2016, 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.

For the nine months ended 31 December 2016, the Target Group recorded employee benefits expenses of approximately HK$7,837,000. As compared to the year ended 31 March 2016, the employee benefit expense was mainly due to the recruitment of new employee and the increasing cost of labour among the industry.

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 and of approximately HK$1,776,000 for the nine months ended 31 December 2016.

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.

For the nine months ended 31 December 2016, the Target Group recorded rent and rates and building management fee of approximately HK$1,776,000. As compared to the year ended 31 March 2016, the expenses on rent, rates and building management fee remained stable.

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 and of approximately HK$212,000 for the period ended 31 December 2016, which mainly 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.

For the nine months ended 31 December 2016, the Target Group recorded service charge and transaction fee of approximately HK$212,000. As compared to the year ended 31 March 2016, the decrease in service charge and transaction fee was mainly due to shrinking average daily turnover in Hong Kong securities market.

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 and net profit for the nine months ended 31 December 2016 of approximately HK$1,346,000.

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.

Profit for the nine months ended 31 December 2016 was approximately HK$1,346,000. As compared to the year ended 31 March 2017, the decrease in net profit from HK$5,884,000 for the year ended 31 March 2016 to HK$1,348,000 for the year ended 31 December 2016 was mainly due to drop in revenue from daily trading commission and fund-raising businesses.

(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. There is no foreign currency net investment hedged by currency borrowings and other hedging instruments.

Capital structure

During the three financial years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 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 years ended 31 March 2014, 2015 and 2016 and the nine months ended 31 December 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 ultimate holding company, amount due to a shareholder, amount due to immediate holding company and amount due to a director at the three years ended 31 March 2014, 2015 and 2016 and nine months ended 31 December 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 financial information relating to the assets and liabilities of the Target Group as at 31 March 2014, 2015, 2016 and at 31 December 2016 respectively:

	As at 31 March			As at 31 December
	2014	**2015**	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	132,570	134,155	123,365	173,414
Total cash and bank balances	99,630	80,303	8,329	60,358
Total liabilities	91,056	84,901	69,242	117,945
Net assets	41,514	49,254	54,123	55,469
Current ratio *(Note (a))*	145%	155%	175%	146%
Gearing ratio *(Note (b))*	69%	63%	56%	68%

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.

As at 31 December 2016

As at 31 December 2016, the Target Group's audited net assets and net current assets were approximately HK$55,469,000 and HK$53,716,000 respectively. The Target Group had total cash and bank balances of approximately HK$60,358,000 as at 31 December 2016, and the corresponding current ratio and gearing ratio was approximately 146% and 68% respectively. As at 31 December 2016, the Target Group had outstanding loan of HK$470,000, which are repayable within 1 year based on the agreed repayment dates. Also, as at 31 December 2016, the Target Group had the amount due to immediate holding company of HK$30,600,000 and the amount due to a shareholder – Trinity Worldwide - of HK$29,400,000, both of which are unsecured, interest-free and repayable on demand.

(iii) Material investments, acquisitions or disposals

On 29 June 2016, the Target Subsidiary was granted a SFC license for Type 9 (asset management) regulated activity under the SFO. Save as above, there were 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 and for the nine months ended 31 December 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.

As at 31 December 2016, none of the assets of the Target Group was pledged as security for any credit and banking facilities.

(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 and for the nine months ended 31 December 2016 were denominated mainly in Hong Kong dollars.

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

(vi) Contingent liabilities

As at 31 March 2014, 2015, 2016 and at 31 December 2016, the Target Group did not have material contingent liabilities.

(vii) Capital Commitments

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

(viii) Employee and remuneration policy

There were 12, 15, 18, and 24 staff employed by the Target Group as at 31 March 2014, 2015 and 2016 and 31 December 2016. 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 and HK$7,837,000 for the nine months ended 31 December 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.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

Introduction

The accompanying unaudited pro forma consolidated statement of financial position ("Unaudited Pro Forma Financial Information") of China Demeter Financial Investments Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "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 for the purpose of illustrating the effect of the proposed acquisition of the remaining 49% of the issued shares of Profit Network Asia Inc. (the "Target") (the "Acquisition") on the Group.

The Unaudited Pro Forma Financial Information assumed that the Acquisition had been completed on 31 December 2016 and has been prepared based on the consolidated statement of financial position of the Group as at 31 December 2016, which was extracted from the published annual report of the Company for the year ended 31 December 2016, 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 Group is prepared by the Directors based on a number of assumptions, estimates, uncertainties and currently available information to provide information of the 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 Group that would have been attained had the Acquisition been completed on 31 December 2016. Furthermore, accompanying Unaudited Pro Forma Financial Information of the Group does not purport to predict the future financial position of the Group.

The Unaudited Pro Forma Financial Information of the 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 on 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 2016 (Audited) *HK$'000* *Note 1.1*	Pro forma adjustments (Unaudited) *HK$'000*	*Notes*	Pro forma the Group as at 31 December 2016 (Unaudited) *HK$'000*
Non-current assets				
Property, plant and equipment	6,956			6,956
Prepaid lease payments	887			887
Goodwill	13,844			13,844
Intangible asset	500			500
Investment in a joint venture	2,432			2,432
Loans and interest receivables	33,082			33,082
Available-for-sale investments	33,616			33,616
Other assets	230			230
Deferred tax assets	11			11
	91,558			91,558
Current assets				
Inventories	1,696			1,696
Trade receivables	94,151			94,151
Loans and interest receivables	52,646			52,646
Deposits, prepayments and other receivables	14,688			14,688
Financial assets at fair value through profit or loss	150,725			150,725
Trust bank accounts	26,998			26,998
Cash and cash equivalents	73,971	(39,200)	*1.2*	4,621
		(750)	*1.3*	
		(29,400)	*1.4*	
	414,875			345,525

	The Group as at 31 December 2016 (Audited) *HK$'000* *Note 1.1*	Pro forma adjustments (Unaudited) *HK$'000*	*Notes*	Pro forma the Group as at 31 December 2016 (Unaudited) *HK$'000*
Current liabilities				
Trade and other payables	51,827			51,827
Amount due to a non-controlling interest	29,400	(29,400)	*1.4*	–
Derivative financial instruments	6			6
Bank and other borrowings	25,470			25,470
Current tax liabilities	349			349
	107,052			77,652
Net current assets	307,823			267,873
Net assets	399,381			359,431
Capital and reserves				
Share capital	7,691			7,691
Reserves	353,729	(12,020)	*1.2*	340,959
		(750)	*1.3*	
Equity attributable to owners of the Company	361,420			348,650
Non-controlling interests	37,961	(27,180)	*1.2*	10,781
Total equity	399,381			359,431

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

1.1 The amounts are extracted from the audited consolidated statement of financial position of the Group as at December 2016 as set out in the published annual report of the Company for the year ended 31 December 2016.

1.2 Pursuant to the SP Agreement, the consideration for the Acquisition amounted to HK$39,200,000 which will be settled in cash. The adjustments reflect the amount that would have been paid by the Group for the Acquisition as if the Acquisition had been completed on the date being reported on (i.e. 31 December 2016). They also reflect the amount of non-controlling interest in respect of the Target and its subsidiary (collectively the "Target Group") that would have been derecognised should the Acquisition was completed on that date (i.e. 31 December 2016).

As at 31 December 2016, the Group owned 51% equity interest in the Target Group and the financial results of the Target Group has been consolidated into the consolidated financial statements of the Group for the year ended 31 December 2016. Upon completion of the Acquisition, the Group's shareholding in the Target Group will increase to 100% and the Acquisition will be accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to any gain or loss and the difference of approximately HK$12,020,000, being the difference between the cash consideration of HK$39,200,000 and the non-controlling interest's share of assets and liabilities at the date of acquisition of approximately HK$27,180,000, will be debited to equity of the Group.

1.3 The adjustment reflects the estimated cost of approximately HK$750,000 which mainly comprises professional fees payable to financial advisors, legal advisors, reporting accountants, printers and other professional parties, directly attributable to the Acquisition.

1.4 The adjustment reflects the settlement of the amount due to a non-controlling interest of approximately HK$29,400,000 pursuant to the SP agreement as if the Acquisition had been completed at the date reported on (i.e. 31 December 2016).

1.5 Apart from the above, no adjustment has been made to the unaudited pro forma consolidated statement of financial position to reflect any trading results or other transactions of the Group and the Target Group entered subsequent to 31 December 2016.

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

19 May 2017

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

To the Directors of China Demeter Financial Investments Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Demeter Financial 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 2016 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 19 May 2017 (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 the remaining 49% of the issued shares of Profit Network Asia Inc. (the "Acquisition") on the Group's financial position as at 31 December 2016 as if the Acquisition had taken place at 31 December 2016. 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 2016, 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 Accountants' 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 2016 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:

Long position

Name of Shareholder	Nature of Interest	Number of Underlying Shares	Approximate percentage of interest *(Note 1)*
Ng Man Chun Paul	Beneficial owner	7,690,000 *(Note 2)*	0.83%
Ng Ting Ho	Beneficial owner	7,690,000 *(Note 2)*	0.83%

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, 922,936,125 Shares.

2. For each respective Director, these represent underlying Shares relating to the share options granted by the Company to each such Director on 7 April 2017.

Save as disclosed above, 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	Beneficial owner and interest in controlled corporation *(Note 2)*	147,900,000	16.02%

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, 922,936,125 Shares.

2. Based on the notice of disclosure of interest of China Green (Holdings) Limited filed with the Stock Exchange dated 2 December 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 (i) Mr. Lee Kin Fai, an independent non-executive Director, is an executive director of Get Holdings Limited (Stock Code: 8100) and (ii) Mr. Hung Kenneth, an independent non-executive Director, is an executive director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and an executive director of DX.com Holdings Limited (Stock Code: 8086), each of which is a company listed on GEM whose principal businesses include money lending business in Hong

Kong, which may compete with the Group's money lending business, 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 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 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 Group since 31 December 2016, 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 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 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;

(b) the sale and purchase agreement dated 17 July 2015 entered into between the Company and Mr. He Huaguang ("Mr. He"), pursuant to which Mr. He Huaguang 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;

(c) the sale and purchase agreement dated 30 September 2015 entered into between Rosy Path International Limited ("Rosy Path"), a wholly-owned subsidiary of the Company, 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 Holdings Limited, at a consideration of AU$3,227,400 (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;

(d) 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 the Cayman Islands with limited liability, (b) a company incorporated in Hong Kong with limited liability, and (c) an individual, who is a director of one of the JV 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 restaurants, 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;

(e) 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 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 9 December 2015;

(f) 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 one offer share for every two shares 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;

(g) (i) the sale and purchase agreement dated 6 January 2016 entered into between the Purchaser, Golden Harvest Holdings Limited ("Golden Harvest"), an indirect wholly-owned subsidiary of the Company, and the Vendor, Trinity Worldwide Capital Holding Limited ("Trinity") pursuant to which Golden Harvest agreed to purchase, and Trinity agreed to sell, shares representing 7% of the issued share capital of the Target Profit Network Asia Inc. ("Profit Network"), a company incorporated in the British Virgin Islands with limited liability, at a consideration of HK$5,600,000; and (ii) the sale and purchase agreement dated 27 April 2016 entered into between Golden Harvest and Trinity pursuant to which Golden Harvest agreed to purchase, and Trinity agreed to sell, the shares representing 44% of the issued share capital of the Target at a consideration of HK$35,200,000, further details of which are set out in the announcement of the Company dated 27 April 2016 and the circular of the Company dated 11 July 2016;

(h) the placing agreement dated 22 November 2016 entered into between the Company as issuer and Fordjoy Securities and Futures Limited as placing agent, pursuant to which the placing agent agreed to place, on a best endeavour basis, in aggregate, up to 118,340,000 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 22 November 2016 and 2 December 2016;

(i) the sale and purchase agreement dated 18 January 2017 entered into between 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited") ("Xiamen Dongyu"), an indirect non-wholly owned subsidiary of the Company and He Xiongfeng ("Mr. He") pursuant to which Xiamen Dongyu 廈門市東岳貿易有限公司 agreed to sell, and He Xiongfeng Mr. He agreed to purchase, 100% equity interest in 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), a limited liability company established in the PRC at a consideration of RMB1,100,000, further details of which are set out in the announcements of the Company dated 18 January 2017 and 20 March 2017 and the circular of the Company dated 20 February 2017;

(j) the SP Agreement; and

(k) the placing agreement dated 31 March 2017 entered into between the Company as issuer and Astrum Capital Management Limited as placing agent, pursuant to which the placing agent agreed to place, on a best basis, in aggregate, up to 153,800,000 placing shares of the Company at the placing price of HK$0.10 per share to not less than six placees under general mandate, further details of which are set out in the announcements of the Company dated 31 March 2017 and 21 April 2017.

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 accountants for the unaudited pro forma financial information of the Group and the reporting accountant of 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 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 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 2016 (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 Group, or which are proposed to be acquired or disposed of by or leased to any member of the 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	3/F, Central 88 88–98 Des Voeux Road Central Central, Hong Kong
Principal share registrar and transfer agent	Conyers Corporate Services (Bermuda) 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 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 44, 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 executive director of GET Holdings Limited (Stock Code: 8100) 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 and First Credit Finance Group Limited (Stock Code: 8215) from June 2013 to July 2016, all of which are companies listed on GEM.

(2) Ms. Cheng Lo Yee

Ms. Cheng, aged 61, 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. She is currently an independent non-executive director of Universe International Financial Holdings Limited (Stock Code: 1046), a company listed on Main Board of the Stock Exchange.

(3) Mr. Hung Kenneth

Mr. Hung, aged 46, 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 Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and 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 the principal place of business of the Company in Hong Kong at 3/F, Central 88, 88–98 Des Voeux Road Central, Central, Hong Kong from the date of this circular up to and including 5 June 2017.

(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, 2015 and 2016;

(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 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;

(i) the circular of the Company dated 20 February 2017; and

(j) this circular.

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 ("**Meeting**") of China Demeter Financial Investments Limited ("**Company**") will be held at 11:00 a.m. on Monday, 12 June 2017 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 an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(A) the acquisition ("**Acquisition**") of 294 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 sale and purchase agreement dated 24 February 2017 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 19 May 2017 ("**Circular**"), a copy of which 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 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 it considers 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 board of Directors or a duly authorised committee, in the interest of the Company and its shareholders as a whole."

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

19 May 2017

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

Principal place of business in Hong Kong:
3/F, Central 88
88–98 Des Voeux Road Central
Central, Hong Kong

Notes:

1. For determining the entitlement of shareholders of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from Wednesday, 7 June 2017 to Monday, 12 June 2017 (both days inclusive) during which period no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the Meeting, all transfer of shares accompanied by the relevant shares certificates must be lodged with 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 by 4:30 p.m. (Hong Kong time) on Tuesday, 6 June 2017.

2. 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.

3. 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 by 11:00 a.m. on Saturday, 10 June 2017 or not less than 48 hours before the time appointed for holding the adjourned meeting.

4. 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.

5. 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.

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