



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

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

Third Quarterly Report **2016**



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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This report, for which the directors (the “Directors”) of China Demeter Investments Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange Hong Kong Limited (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 report 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 report misleading.

HIGHLIGHTS

- The Company reported a loss attributable to owners of the Company of approximately HK\$5,027,000 for the nine months ended 30 September 2016 (the “period”), when compared to a profit attributable to owners of the Company of approximately HK\$12,281,000 in the same period last year.
- The turnover of the Group from continuing operations was approximately HK\$41,571,000 for the period, representing an increase of approximately HK\$481,000 when compared to the same period of approximately HK\$41,090,000 last year.
- Gross profit from continuing operations for the period was approximately HK\$15,316,000 compared with gross profit of approximately HK\$14,523,000 in the same period last year.
- The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the nine months ended 30 September 2016.

UNAUDITED NINE-MONTHS RESULTS

The Board (the “Board”) of directors (the “Directors”) of China Demeter Investments Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2016 together with the comparative unaudited figures for the corresponding periods in 2015. The nine-months results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2016

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2016	2015	2016	2015
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Continuing operations					
Revenue	3	21,963	16,934	41,571	41,090
Cost of sales and services		(14,160)	(11,945)	(26,255)	(26,567)
Gross profit		7,803	4,989	15,316	14,523
Other income and gains	4	274	5,427	385	5,436
Selling and distribution costs		(40)	(47)	(121)	(129)
General and administrative expenses		(6,362)	(3,416)	(15,932)	(14,115)
Changes in fair value of financial assets through profit or loss	5	(13,820)	(49,430)	1,927	6,888
Share of loss of a joint venture		(543)	–	(2,535)	–
Finance costs	6	(169)	(135)	(322)	(252)
(Loss) profit before tax		(12,857)	(42,612)	(1,282)	12,351
Income tax credit (expense)	7	2,057	(10)	(133)	(24)
(Loss) profit for the period from continuing operations		(10,800)	(42,622)	(1,415)	12,327
Discontinued operations					
(Loss) profit for the period from discontinued operations	8	–	(2,686)	–	3,723
(Loss) profit for the period		(10,800)	(45,308)	(1,415)	16,050

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the three months and nine months ended 30 September 2016

Note	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Other comprehensive (expense) income for the period:				
Items that may be subsequently reclassified to profit or loss:				
– Exchange differences on translation of financial statements of foreign operations	(179)	(927)	(718)	(3,921)
– Reclassification adjustments relating to foreign operations disposed of during the period	–	3,201	–	3,201
– Share of other comprehensive (expense) income of a joint venture	(162)	–	527	–
– Changes in fair value of available-for-sale investments	(193)	–	(724)	–
	<u>(534)</u>	<u>2,274</u>	<u>(915)</u>	<u>(720)</u>
Total comprehensive (expense) income for the period	<u>(11,334)</u>	<u>(43,034)</u>	<u>(2,330)</u>	<u>15,330</u>
(Loss) profit for the period attributable to:				
– Owners of the Company	(12,971)	(46,296)	(5,027)	12,281
– Non-controlling interests	<u>2,171</u>	<u>988</u>	<u>3,612</u>	<u>3,769</u>
	<u>(10,800)</u>	<u>(45,308)</u>	<u>(1,415)</u>	<u>16,050</u>
Total comprehensive (expense) income for the period attributable to:				
– Owners of the Company	(13,412)	(44,022)	(5,584)	13,844
– Non-controlling interests	<u>2,078</u>	<u>988</u>	<u>3,254</u>	<u>1,486</u>
	<u>(11,334)</u>	<u>(43,034)</u>	<u>(2,330)</u>	<u>15,330</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

For the three months and nine months ended 30 September 2016

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2016	2015	2016	2015
		(Unaudited) HK Cents	(Unaudited) HK Cents (Restated)	(Unaudited) HK Cents	(Unaudited) HK Cents (Restated)
(Loss) earnings per share	9				
– for continuing and discontinued operations					
Basic		<u>(2.00)</u>	<u>(12.62)</u>	<u>(0.91)</u>	<u>3.37</u>
Diluted		<u>(2.00)</u>	<u>(12.62)</u>	<u>(0.91)</u>	<u>3.34</u>
– for continuing operations					
Basic		<u>(2.00)</u>	<u>(11.89)</u>	<u>(0.91)</u>	<u>3.09</u>
Diluted		<u>(2.00)</u>	<u>(11.89)</u>	<u>(0.91)</u>	<u>3.06</u>

NOTES

1. CORPORATE INFORMATION

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

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal place of business is located at 3/F, Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

The Company's shares are listed on the GEM of the Stock Exchange.

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the nine months ended 30 September 2016 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rule and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). These unaudited condensed consolidated financial statements should be read in conjunction with the financial statements of the Group for the year ended 31 December 2015. The accounting policies and method of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the preparation of the financial statements of the Group for the year ended 31 December 2015. The financial statements are unaudited but have been reviewed by Audit Committee.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs"). For those which are effective for accounting periods beginning on 1 January 2016, the adoption has no material effect on the reported results and the financial position of the Group for the current or prior accounting periods. For those which are not yet effective and have not been early adopted, the Group is in the process of assessing their impact on the Group's results and financial position. So far, the Group considers that the adoption of those HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES (CONT'D)

3. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the period.

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations				
Sales of feedstock products and animal husbandry products	18,043	13,186	31,578	27,913
Loan interest income	1,482	2,361	4,528	10,503
Revenue from financial services				
– Commission from securities dealing	348	–	348	–
– Interest income from securities clients	397	–	397	–
– Clearing and handling fee income	12	–	12	–
Provision of food and beverage service	1,681	1,387	4,708	2,674
	<u>21,963</u>	<u>16,934</u>	<u>41,571</u>	<u>41,090</u>

4. OTHER INCOME AND GAINS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations				
Bank interest income	3	–	11	9
Dividend income from financial assets at fair value through profit or loss	255	–	358	–
Dividend income from available-for-sale investments	–	5,387	–	5,387
Sundry income	16	40	16	40
	<u>274</u>	<u>5,427</u>	<u>385</u>	<u>5,436</u>

NOTES (CONT'D)

5. CHANGES IN FAIR VALUE OF FINANCIAL ASSETS THROUGH PROFIT OR LOSS

Changes in fair value of financial assets through profit or loss represents the changes in fair value of the equity securities based on closing price in an active market.

6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations				
Interest on bank and other borrowings wholly repayable within five years	169	135	322	252

7. INCOME TAX CREDIT (EXPENSE)

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Continuing operations				
Current tax:				
Hong Kong Profit Tax	8	–	8	–
PRC Enterprise Income Tax	10	10	22	24
	18	10	30	24
Over provision in prior periods:				
Hong Kong	–	–	(20)	–
Deferred tax	(2,075)	–	123	–
Total income tax (credit) expense recognised in profit or loss	(2,057)	10	133	24

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

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

NOTES (CONT'D)

8. DISCONTINUED OPERATIONS

Disposal of the Sky Red Group

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

Deemed disposal of the Zhao Hui Group

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

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

NOTES (CONT'D)

8. DISCONTINUED OPERATIONS (CONT'D)

Deemed disposal of the Zhao Hui Group (Cont'd)

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

The results for the period from the discontinued operations (i.e. IT business and processing and sales of food products business) included in the unaudited condensed consolidated statement of profit or loss and other comprehensive income are set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and other comprehensive income and other related notes have been re-presented to include the IT business and processing and sales of food products business as discontinued in the prior period.

	For the three months ended 30 September					
	2016			2015		
	IT business HK\$'000 (Unaudited)	Processing and sales of food products business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	IT business HK\$'000 (Unaudited)	Processing and sales of food products business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	-	-	-	3,690	-	3,690
Cost of sales	-	-	-	(433)	-	(433)
Other income and other gains	-	-	-	3	-	3
Selling and distribution costs	-	-	-	(1,219)	-	(1,219)
General and administrative expenses	-	-	-	(2,266)	(956)	(3,222)
Loss on disposal of Sky Red Group	-	-	-	(794)	-	(794)
Loss on deemed disposal of Zhao Hui Group	-	-	-	-	(711)	(711)
Loss for the period from discontinued operations	-	-	-	(1,019)	(1,667)	(2,686)
Attributable to:						
Owners of the Company	-	-	-	(1,019)	(1,667)	(2,686)
Non-controlling interests	-	-	-	-	-	-
	-	-	-	(1,019)	(1,667)	(2,686)

NOTES (CONT'D)

8. DISCONTINUED OPERATIONS (CONT'D)

For the nine months ended 30 September

	2016			2015		
	IT business	Processing and sales of food products business	Total	IT business	Processing and sales of food products business	Total
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	-	-	-	13,328	52,095	65,423
Cost of sales	-	-	-	(4,126)	(35,907)	(40,033)
Other income and other gains	-	-	-	7	530	537
Selling and distribution costs	-	-	-	(2,474)	(2,468)	(4,942)
General and administrative expenses	-	-	-	(6,568)	(9,021)	(15,589)
Finance costs	-	-	-	-	(168)	(168)
Loss on disposal of Sky Red Group	-	-	-	(794)	-	(794)
Loss on deemed disposal of Zhao Hui Group	-	-	-	-	(711)	(711)
(Loss) profit for the period from discontinued operations	-	-	-	(627)	4,350	3,723
Attributable to:						
Owners of the Company	-	-	-	(627)	1,650	1,023
Non-controlling interests	-	-	-	-	2,700	2,700
	-	-	-	(627)	4,350	3,723

NOTES (CONT'D)

8. DISCONTINUED OPERATIONS (CONT'D)

Loss on disposal of Sky Red Group as at the date of disposal is as follows:

	<i>HK\$'000</i>
	(Unaudited)
The net assets disposed of were as follows:	
Property, plant and equipment	124
Inventories	461
Trade receivables	4,990
Deposits, prepayments and other receivables	1,260
Cash and bank balances	2,358
Trade and other payables	<u>(6,483)</u>
Net assets disposed of	<u>2,710</u>
Loss on disposal:	
Consideration	2,000
Net assets disposed of	(2,710)
Cumulative exchange loss in respect of the net assets of the Sky Red Group reclassified from foreign currency translation reserve to profit or loss	<u>(84)</u>
Loss on disposal	<u><u>(794)</u></u>

NOTES (CONT'D)

8. DISCONTINUED OPERATIONS (CONT'D)

Loss on deemed disposal of Zhao Hui Group as at the date of deemed disposal is as follows:

	<i>HK\$'000</i>
	<i>(Unaudited)</i>
The net assets disposed of and goodwill derecognized were as follows:	
Property, plant and equipment	49,749
Prepaid lease payments	3,318
Inventories	10,195
Trade receivables	8,722
Loan and interest receivables	12,180
Amount due from a non-controlling interest	3
Deposits, prepayments and other receivables	18,162
Cash and bank balances	20,475
Trade and other payables	(43,362)
Amounts due to non-controlling interests	(15,286)
Bank Borrowing	(5,557)
Deferred tax liabilities	(349)
Non-controlling interests	(48,198)
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Net assets disposal of	10,052
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Goodwill	5,615
	<hr/>
Net assets disposal of and goodwill derecognized	15,667
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Loss on deemed disposal:	
Transfer to available-for-sale investments	18,073
Net assets disposed of and goodwill derecognized	(15,667)
Cumulative exchange loss in respect of the net assets of Zhao Hui Group reclassified from foreign currency translation reserve to profit or loss	(3,117)
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Loss on deemed disposal	(711)
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NOTES (CONT'D)

9. (LOSS) EARNINGS PER SHARE

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

For continuing and discontinued operations

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	(12,971)	(46,296)	(5,027)	12,281

Number of shares

	For the three months ended 30 September			For the nine months ended 30 September		
	2016 '000	2015 '000 (Restated)	2015 '000 (Previously stated)	2016 '000	2015 '000 (Restated)	2015 '000 (Previously stated)
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	647,590	366,715	1,643,894	552,934	363,934	1,631,429
Effect of dilutive potential ordinary shares:						
Share options (Note)	—	—	—	—	3,890	17,512
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	647,590	366,715	1,643,894	552,934	367,824	1,648,941

Note: The computation of diluted loss per share for the three months ended 30 September 2015 does not assume the exercise of potential ordinary shares granted under the Company's share options scheme because their exercise would result a reduction in loss per share for the period which is regarded as anti-dilutive.

NOTES (CONT'D)

9. (LOSS) EARNINGS PER SHARE (CONT'D)

For continuing and discontinued operations (Cont'd)

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the period ended 30 September 2015 has been adjusted to reflect the effect of consolidation of shares and issue of shares pursuant to open offer as detailed in note 12.

For continuing operations

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	(12,971)	(46,296)	(5,027)	12,281
Adjustment for loss (earnings) for the period attributable to owners of the Company from discontinued operations	—	2,686	—	(1,023)
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share from continuing operations	<u>(12,971)</u>	<u>(43,610)</u>	<u>(5,027)</u>	<u>11,258</u>

NOTES (CONT'D)

9. (LOSS) EARNINGS PER SHARE (CONT'D)

For discontinued operations

	For the three months ended 30 September		For the nine months ended 30 September	
	2016 (unaudited)	2015 (restated) (unaudited)	2016 (unaudited)	2015 (restated) (unaudited)
(Loss) earnings per share:				
– Basic (HK cents)	–	(0.73)	–	0.28
– Diluted (HK cents)	–	(0.73)	–	0.28
(Loss) earnings:	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share from discontinued operations	–	(2,686)	–	1,023

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

10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the nine months ended 30 September 2016 (30 September 2015: Nil).

NOTES (CONT'D)

11. RESERVES

For the nine months ended 30 September 2015

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Available-for-sale investments valuation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
For the nine months ended												
30 September 2015												
At 1 January 2015 (Audited)	15,609	42,900	348,685	61,545	873	4,672	2,934	(284)	(186,376)	290,558	54,540	345,098
Profit for the period	-	-	-	-	-	-	-	-	12,281	12,281	3,769	16,050
Other comprehensive income (expense) for the period	-	-	-	-	-	-	1,563	-	-	1,563	(2,283)	(720)
Total comprehensive income for the period	-	-	-	-	-	-	1,563	-	12,281	13,844	1,486	15,330
Disposal of a subsidiary (note 8)	-	-	-	-	-	-	-	-	-	-	(48,198)	(48,198)
Non-controlling interests arising on acquisition of a subsidiary (note 13(b))	-	-	-	-	-	-	-	-	-	-	(101)	(101)
Issue of subscription shares under special mandate (note 12(i))	830	13,695	-	-	-	-	-	-	-	14,525	-	14,525
At 30 September 2015 (Unaudited)	16,439	56,595	348,685	61,545	873	4,672	4,497	(284)	(174,095)	318,927	7,727	326,654

NOTES (CONT'D)

11. RESERVES (CONT'D)

For the nine months ended 30 September 2016

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Capital reserve HK\$'000	PRC statutory reserve HK\$'000	Share options reserve HK\$'000	Foreign currency translation reserve HK\$'000	Available-for-sale investments valuation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
For the nine months ended 30 September 2016												
At 1 January 2016 (audited)	19,727	84,734	160,253	61,545	873	4,672	2,026	-	8,224	342,054	9,592	351,646
(1,939) Profit for the period	-	-	-	-	-	-	-	-	(5,027)	(5,027)	3,612	(1,415)
Other comprehensive income (expense) for the period	-	-	-	-	-	-	167	(724)	-	(557)	(358)	(915)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	167	(724)	(5,027)	(5,584)	3,254	(2,330)
Capital reorganisation (note 12(iii))	(15,782)	-	15,782	-	-	-	-	-	-	-	-	-
Issue of shares pursuant to open offer (note 12(ii))	1,973	17,754	-	-	-	-	-	-	-	19,727	-	19,727
Issue of share upon exercise of share options	590	8,036	-	-	-	(2,136)	-	-	-	6,490	-	6,490
Transaction costs related to issue of shares	-	(1,925)	-	-	-	-	-	-	-	(1,925)	-	(1,925)
Recognition of equity settled share based payment (note 6))	-	-	-	-	-	2,136	-	-	-	2,136	-	2,136
Lapse of share options	-	-	-	-	-	(4,672)	-	-	4,672	-	-	-
Non-controlling interests arising on acquisition of a subsidiary (note 13(c))	-	-	-	-	-	-	-	-	-	-	25,899	25,899
At 30 September 2016 (Unaudited)	6,508	108,599	176,035	61,545	873	-	2,193	(724)	7,869	362,898	38,745	401,643

Notes:

- (i) During the period ended 30 September 2016, 59,000,000 share options were granted on 10 June 2016. The fair values of the share options granted on that date is approximately HK\$2,136,000 and was expensed immediately to profit or loss for the period ended 30 September 2016.

NOTES (CONT'D)

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2015 and 31 December 2015, ordinary shares of HK\$0.01 each	100,000,000	1,000,000
Share consolidation (<i>Note (iii)</i>)	(80,000,000)	–
Share sub-division (<i>Note (iii)</i>)	80,000,000	–
	<u>100,000,000</u>	<u>1,000,000</u>
At 30 September 2016, ordinary shares of HK\$0.01 each	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2015, ordinary shares of HK\$0.01 each	1,560,894	15,609
Issue of subscription shares (<i>Note (i)</i>)	83,000	830
Issue of placing shares (<i>Note (ii)</i>)	328,760	3,288
	<u>1,972,654</u>	<u>19,727</u>
At 31 December 2015, ordinary shares of HK\$0.01 each	<u>1,972,654</u>	<u>19,727</u>
At 1 January 2016, ordinary shares of HK\$0.01 each	1,972,654	19,727
Capital reorganisation (<i>Note (iii)</i>)	(1,578,123)	(15,782)
Issue of share pursuant to open offer (<i>Note (iv)</i>)	197,265	1,973
Issue of share upon exercise of share options	59,000	590
	<u>650,796</u>	<u>6,508</u>
At 30 September 2016, ordinary shares of HK\$0.01 each	<u>650,796</u>	<u>6,508</u>

Notes:

(i) Issue of subscription shares

Pursuant to the specific mandate subscription agreement (“SM Subscription Agreement”), China Green (Holdings) Ltd (formerly known as China Culiangwang Beverages Holdings Limited) (the “Subscriber”) has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue 83,000,000 subscription shares (“SM Subscription Shares”) at the subscription price of HK\$0.175 per SM Subscription Share. The SM Subscription Shares will be allotted and issued under the specific mandate. The completion took place on 11 February 2015 whereby 83,000,000 ordinary shares of the Company of HK\$0.01 each were allotted and issued at HK\$0.175 per SM Subscription Share under the SM Subscription Agreement. The net proceed from the subscription amounted to approximately HK\$14,000,000.

NOTES (CONT'D)

12. SHARE CAPITAL (CONT'D)

(ii) Issue of placing shares

On 9 December 2015, the Company completed the placing of an aggregate of 328,760,000 ordinary shares of the Company of HK\$0.01 each to not less than six places through placing agent at HK\$0.10 per ordinary share. The net proceeds from the placing of shares amounted to approximately HK\$31,500,000.

(iii) Capital Reorganisation

Pursuant to a special general meeting held on 3 February 2016, the special resolution in relation to capital reorganisation comprising the share consolidation, the capital reduction and the share subdivision was duly passed by way of poll and took effect on 4 February 2016.

The capital reorganisation involved,

(1) *Share Consolidation*

Every 5 issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of par value of HK\$0.05 each.

(2) *Capital Reduction*

The par value of each of the then issued consolidated shares were reduced from HK\$0.05 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the then issued consolidated shares, the credits arising from (a) such reduction of the paid up capital; and (b) the cancellation of any fractional consolidated share in the issued share capital of the Company which may arise from the share consolidation, which together, amount to approximately HK\$15,782,000, were credited to the contributed surplus account of the Company.

(3) *Share Sub-division*

Each of the then authorised but unissued consolidated shares of par value of HK\$0.05 each was sub-divided into 5 new shares of par value of HK\$0.01 each.

NOTES (CONT'D)

12. SHARE CAPITAL (CONT'D)

(iv) Issue of shares pursuant to open offer

On 14 April 2016, a total of 197,265,375 ordinary shares of HK\$0.01 each were issued by way of an open offer at the subscription price of HK\$0.10 per offer share on the basis of one offer shares for every two shares held on the record date, 17 March 2016. The net proceeds from the open offer, after deducting relevant costs and expenses, were approximately HK\$17,500,000. The excess of the subscription price over the par value of the shares issued was credited to the share premium account.

13. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Profit Network Asia Inc. (“Profit Network”)

On 6 January 2016, the Group acquired 7% interests in Profit Network, a company incorporated in the British Virgin Islands with limited liability at a cash consideration of HK\$5,600,000.

On 2 September 2016, the Group acquired an additional 44% interests in Profit Network, at a cash consideration of HK\$35,200,000. After the acquisition, the Group owned 51% interest in Profit Network and Profit Network and its wholly owned subsidiary (“Profit Network Group”) became non-wholly owned subsidiaries of the Company.

The subsidiary of Profit Network is a company incorporated in Hong Kong with limited liability and a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”). The acquisition by the Group is to diversify the Group’s business into the financial services industry in addition to the Group’s existing securities investment and trading and related businesses.

NOTES (CONT'D)

13. ACQUISITION OF SUBSIDIARIES (CONT'D)

(a) Acquisition of Profit Network Asia Inc. (“Profit Network”) (Cont’d)

The fair value of identifiable assets and liabilities recognised at the date of acquisition are as follows:

	<i>HK\$'000</i> (unaudited)
Net assets acquired:	
Property, plant and equipment	1,165
Intangible asset	500
Other assets	230
Trade receivables	42,518
Deposit, prepayments and other receivables	1,459
Financial assets at fair value through profit or loss	258
Cash and bank balances	
– General accounts and cash	17,459
– Trusts accounts	21,666
Trade and other payables	(30,174)
Bank borrowings	(2,000)
Current tax liabilities	(192)
Deferred tax liabilities	(34)
	<u>52,855</u>
Goodwill arising on acquisition:	
Consideration transferred	35,200
Plus: Non-controlling interests (49% interests in Profit Network)	25,899
Fair value of previously held interests	5,600
Less: net assets acquired	<u>(52,855)</u>
	<u>13,844</u>

Acquisition-related costs amounting to approximately HK\$886,000 have been excluded from the cost of acquisitions and recognised directly as an expenses in the condensed consolidated statement of profit or loss and other comprehensive income.

Non-controlling interests

The non-controlling interests in Profit Network (49%) recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of Profit Network Group and amounted to approximately HK\$25,899,000.

NOTES (CONT'D)

13. ACQUISITION OF SUBSIDIARIES (CONT'D)

(b) Acquisition of Treasure Easy Limited

In April 2015, the Group entered into an acquisition agreement for the acquisition of 51% of the issued shares of Treasure Easy Limited, a limited liability company incorporated in Hong Kong, and the shareholder's loan at a consideration of HK\$1,275,000. Treasure Easy Limited is principally engaged in the provision of the food and beverage service in Hong Kong. The acquisition was completed on 8 April 2015.

The fair value of identifiable assets and liabilities as at the date of acquisition are as follows:

	<i>HK\$'000</i>
	<i>(Unaudited)</i>
Property, plant and equipment	250
Deposits, prepayments and other receivables	1,597
Other payables and accruals	<u>(2,053)</u>
Total net liabilities	<u>(206)</u>
Consideration satisfied by:	
Cash paid	1,275
Less: assignment of shareholder loan	<u>(1,007)</u>
	268
Less: Non-controlling interests	(101)
Add: Net liabilities acquired	<u>206</u>
Goodwill arising on acquisition	<u><u>373</u></u>

14. EVENT AFTER THE REPORTING PERIOD

On 1 November 2016, the Company proposed to change 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" ("Change of Company Name").

The proposed Change of Company Name will be subject to the passing of a special resolution by the shareholders of the Company at a special general meeting of the Company to be held on 2 December 2016 to approve the Change of Company Name and the Registrar of Companies in Bermuda approving the Change of Company Name. For details, please refer to the announcement dated 1 November 2016 and the circular dated 9 November 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

China Demeter Investments Limited (the “Company”, together with its subsidiaries, (the “Group”)) recorded a net loss attributable to owners of the Company of approximately HK\$5,027,000 (30 September 2015: profit attributable to owners of the Company of approximately HK\$12,281,000) for the nine months ended 30 September 2016 (the “Period”). The loss attributable to owners of the Company was mainly attributable to the decrease in gains from changes in fair value of financial assets through profit or loss by approximately HK\$4,961,000 to approximately HK\$1,927,000 during the Period (30 September 2015: approximately HK\$6,888,000), the decrease in loan interest income from loan business by approximately HK\$5,975,000 to approximately HK\$4,528,000 during the Period (30 September 2015: approximately HK\$10,503,000), the decrease in other income and gains by approximately HK\$5,051,000 to approximately HK\$385,000 during the Period (30 September 2015: approximately HK\$5,436,000).

The revenue of the Group from the continuing operations for the Period increased by 1.17% to approximately HK\$41,571,000 (30 September 2015: approximately HK\$41,090,000), while gross profit from the continuing operations for the Period was approximately HK\$15,316,000 (30 September 2015: approximately HK\$14,523,000). The revenue from the continuing operations for the Period comprised the sales of feedstock products and animal husbandry products amounting to approximately HK\$31,578,000 (30 September 2015: approximately HK\$27,913,000), loan interest income amounting to approximately HK\$4,528,000 (30 September 2015: approximately HK\$10,503,000), provision of financial services business amounting to approximately HK\$757,000 (30 September 2015: Nil) and provision of food and beverage services amounting to approximately HK\$4,708,000 (30 September 2015: approximately HK\$2,674,000).

General and administrative expenses from the continuing operations for the Period increased to approximately HK\$15,932,000 (30 September 2015: approximately HK\$14,115,000), mainly due to the recognition of the equity-settled share-based payment expense of approximately HK\$2,136,000 during the Period and that operating expenses of Profit Network Group were consolidated to the Group’s administrative expenses upon the completion of acquisition of Profit Network Group by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial and Business Review (Cont'd)

Following the completion of disposal of Sky Red Group and Zhao Hui Group in 2015, the Group did not record revenue from the discontinued operations for the period ended 30 September 2016 (30 September 2015: approximately HK\$65,423,000). For the period ended 30 September 2015, revenue of the Group from the discontinued operations comprised provision of professional IT contracts and maintenance services amounting to approximately HK\$13,328,000 and processing and sales of food products amounting to approximately HK\$52,095,000.

For the period ended 30 September 2015, general and administrative expenses from the discontinued operations amounted to approximately HK\$15,589,000. For the period ended 30 September 2016, the Group did not record general and administrative expenses from the discontinued operations.

Agriculture Business

Revenue of the feedstock product and animal husbandry business for the Period was approximately HK\$31,578,000 (30 September 2015: approximately HK\$27,913,000), representing an increase of approximately HK\$3,665,000 as compared to the same period last year, which was mainly attributable to the increase in sales volume and the stabilization and pickup in the price of pigs in 2016.

Money Lending Business

During the Period, the Group carried out the money lending business through its indirectly wholly-owned subsidiary and funded this business by the Group's surplus. Loan interest income under this business segment declined to approximately HK\$4,528,000 (30 September 2015: approximately HK\$10,503,000) as the loan receivables decreased during the Period. Interests of the loan receivables were charged at rates ranging from 5% to 12% per annum for the Period (30 September 2015: 5% to 12%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Services and Securities Investment Business

To further develop its financial services and securities investment business, the Group completed the acquisition of 7% of the issued share capital of Profit Network at a consideration of HK\$5,600,000 in January 2016 and completed the acquisition of 44% of the issued share capital of Profit Network at a consideration of HK\$35,200,000 on 2 September 2016, respectively. Following the completion of these transactions, the Group held 51% interest in Profit Network. Profit Network Group has become non-wholly owned subsidiaries of the Group. Profit Network Group is principally engaged in advising on securities and dealing in securities business. The subsidiary of Profit Network is a licensed corporation in Hong Kong to carry out businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”). The Board believes that the acquisition serves to diversify the Group’s business through leveraging on its own resources and combining with the operational model and management experiences of Profit Network Group in particular in advising on securities. The acquisition has timely expanded the Group’s scope of operation and investments. During the period from 2 September 2016 to 30 September 2016, the revenue of Profit Network Group was approximately HK\$757,000 (30 September 2015: Nil).

The Group’s diversified securities investment portfolios cover both listed and non-listed companies, in order to diversify its investment portfolios and increase returns to shareholders. During the Period, the Group recorded gains from the changes in fair value of financial assets through profit or loss of approximately HK\$1,927,000 (30 September 2015: approximately HK\$6,888,000). The decrease was mainly due to the recent fluctuation in Hong Kong securities market and the slowdown of the global economic growth.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Services and Securities Investment Business (Cont'd)

The financial assets at fair value through profit or loss held by the Group were all the shares of listed companies in Hong Kong. Of these assets, the investment value of the shares of four listed companies as at 30 September 2016 accounted for approximately 95.95% of the total market value of all the financial assets at fair value through profit or loss held by the Group as at 30 September 2016. These investments included (i) 265,252,768 shares of Convoy Global Holdings Limited (“Convoy Global”); (ii) 57,200,000 shares of RCG Holdings Limited (“RCG”); (iii) 35,865,000 shares of AMCO United Holding Limited (“AMCO United Holding”); and (iv) 16,360,000 shares of Town Health International Medical Group Limited (“THIM”). The respective shares of Convoy Global, RCG, AMCO United Holding and THIM are listed on the main board of the Stock Exchange. The Group’s investments in Convoy Global, RCG, AMCO United Holding and THIM were collectively known as “Significant Investment”.

Details on Significant Investment are as follows:

Investee Companies	Three months ended 30 September 2016		Nine months ended 30 September 2016		At 30 September 2016		At 30 June 2016	
	Fair value gains (losses) HK\$'000 (Unaudited)	Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss (Note 1)	Fair Value gains(losses) HK\$'000 (Unaudited)	Approximate percentage of fair value gains (losses) of the investments account for the changes in fair value of financial assets through profit or loss (Note 1)	Market value HK\$'000 (Unaudited)	Approximate percentage of financial assets at fair value through profit or loss (Note 2)	Approximate percentage to the net assets (Note 3)	Market value HK\$'000 (Unaudited)
Convoy Global	(28,094)	203.3%	(30,912)	(1,604.2%)	63,661	42.5%	15.9%	86,961
RCG	5,464	(39.5%)	22,880	1,187.3%	38,324	25.6%	9.5%	34,210
AMCO United Holding	1,076	(7.8%)	3,586	186.1%	21,516	14.4%	5.4%	20,440
THIM	6,041	(43.7%)	(293)	(15.2%)	20,123	13.4%	5.0%	(Note 4)

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Services and Securities Investment Business (Cont'd)

Note 2: Approximate percentage of financial assets at fair value through profit or loss is calculated by dividing market value of investment by total carrying value of the financial assets at fair value through profit or loss held by the Group as at 30 September 2016.

Note 3: Approximate percentage to the net assets is calculated by dividing market value of investment by the net assets of the Group as at 30 September 2016.

Note 4: It is not applicable as the Group did not hold the shares of THIM as at 30 June 2016.

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

Due to the decelerating economic activities around the world and continued slowdown in growth of the economy, commodity prices were on a downward track and global trade activities offered no positive support to the Hong Kong stock market, leading to changes in fair value of financial assets at fair value through profit or loss. However, the Group still recorded gain in fair value of financial assets at fair value through profit or loss for the nine months ended 30 September 2016. The Board expects that performance in the Significant Investment will still be able to contribute positive returns for the Group in the near future. The Board will continue to closely monitor the performance of the securities in order to mitigate potential financial risks.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Food and Beverage Business

In April 2015, the Group tapped into the food and beverage business by acquiring 51% of the issued shares of a company, which is principally engaged in provision of food and beverage services in Hong Kong. During the Period, the Group recorded income of approximately HK\$4,708,000 (30 September 2015: approximately HK\$2,674,000). During the Period, the food and beverage business of the Group recorded segment loss due to the rising costs of the food and salary. The Group, will continue to closely monitor the market trend and adjust its business strategy and control expenses accordingly, so as to bring higher returns for the shareholders.

Formation of a Joint Venture

In October 2015, the Group established a joint venture, which is held as to 50% by the Group. The joint venture is currently engaged in investment in the business of operating restaurants, cafes and takeaway outlets as well as providing food and beverage in the Southeast Asia region. During the Period, the Group recorded share of loss of a joint venture of approximately HK\$2,535,000 (30 September 2015: Nil). The loss was mainly attributable to a drop in consumption due to a downturn in the macro economy, leading to a decrease in the revenue of the food and beverage business. The Group will closely monitor the development of the joint venture and adjust its business strategy according to the market conditions to cater to market needs.

Information Technology Business

In September 2015, the Group completed the disposal of the entire issued share capital of Sky Red International Limited to Mr. He Huaguang, who was a director of EPRO Computer Systems (Beijing) Limited (“EPRO”), at a consideration of HK\$2,000,000. Sky Red Group’s main business arm was EPRO, which is incorporated in the PRC with limited liability and principally engaged in the provision of professional information technology contracts and maintenance services. Upon disposal of Sky Red Group, the Group has discontinued the operation of the information technology business.

Milk Powder Business

The Group completed the disposal of the 55% equity interest held by it in Zhao Hui Holdings Limited in December 2015 (the “Disposal”).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Milk Powder Business (Cont'd)

The Group no longer held any equity interest in Zhao Hui Group and has discontinued the operation of the milk powder business.

After the Disposal, the Group will concentrate on the sources of income from the remaining businesses, and intends to apply the proceeds from the Disposal as its general working capital.

Prospect

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Interim Dividend

The Directors of the Company do not recommend the payment of any interim dividend in respect of the nine months ended 30 September 2016 (30 September 2015: Nil).

Completion of Capital reorganisation

Pursuant to a special general meeting held on 3 February 2016, the special resolution in relation to capital reorganisation comprising the share consolidation, the capital reduction and the share subdivision was duly passed by way of poll and took effect on 4 February 2016.

After the capital reorganisation,

- (1) Every 5 issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share of par value of HK\$0.05 each.
- (2) the par value of each of the then issued consolidated shares were reduced from HK\$0.05 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$0.04 on each of the then issued consolidated shares, the credits arising from (a) such reduction of the paid up capital; and (b) the cancellation of any fractional consolidated share in the issued share capital of the Company which may arise from the share consolidation, which together amounted to approximately HK\$15,782,000, were credited to the contributed surplus account of the Company.
- (3) each of the then authorised but unissued consolidated shares of par value of HK\$0.05 each was sub-divided into 5 new shares of par value of HK\$0.01 each.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Completion of Open Offer

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

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

The Company raised approximately HK\$19,700,000 before expenses from the Open Offer. The net proceeds from the Open Offer, after deducting relevant expenses, are approximately HK\$17,500,000. The Board intends to apply the net proceeds from the Open Offer as to approximately HK\$10,000,000 for investment of certain new business projects including food and beverage business and/or processing and sales of food products business and the remaining of approximately HK\$7,500,000 will be used as general working capital of the Group.

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

Change of Company Name

On 1 November 2016, the Company proposed to change 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” (“Change of Company Name”).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Change of Company Name (Cont'd)

The proposed Change of Company Name will be subject to the passing of a special resolution by the shareholders of the Company at a special general meeting of the Company to be held on 2 December, 2016 to approve the Change of Company Name and the Registrar of Companies in Bermuda approving the Change of Company Name. For details, please refer to the announcement dated 1 November 2016 and the circular dated 9 November 2016.

MATERIAL ACQUISITION AND DISPOSAL

On 27 April 2016, the Company and Trinity Worldwide Capital Holding Limited (“Vendor”), a company incorporated in the British Virgin Islands with limited liability entered into a sales and purchase agreement, pursuant to which the Vendor conditionally agreed to sell, and the Company has conditionally agreed to acquire, the 44% equity interest in Profit Network, a company owned as to 93% by the Vendor and 7% by the Company as at 27 April 2016, at a total consideration of HK\$35,200,000. The consideration was funded by the internal resources of the Group. The Vendor is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director of the Company. Accordingly, the Vendor is an associate of Mr. Ng Ting Ho and is a connected person of the Company under the GEM Listing Rules and the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The subsidiary of Profit Network incorporated in 2010, is a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“SFO”). Upon completion, Profit Network and its’ subsidiary will become non-wholly owned subsidiaries of the Company.

Pursuant to a special general meeting on 27 July 2016, the ordinary resolution in relation to the acquisition of 44% of the issued shares of Profit Network was duly passed by way of poll.

The acquisition was completed on 2 September 2016. For details, please refer to the announcement dated 2 September 2016.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the nine months ended 30 September 2016.

OTHER INFORMATION

SHARE OPTION SCHEMES

The Company's Share Option Scheme (the "2013 Share Option Scheme") was adopted pursuant to an ordinary resolution passed by the Company's shareholders at the extraordinary general meeting of the Company held on 30 September 2013. Under the 2013 Share Option Scheme, the Company may grant options to eligible persons, including Directors and directors of the subsidiaries of the Company to subscribe for the shares.

The total number of shares which may be issued upon exercise of all options which may be granted under the 2013 Share Option Scheme and options which may be granted under any other share option schemes of the Company shall not exceed 10% of the total number of shares in issue on 30 September 2013 unless the Company obtains a refresh approval from its shareholders. Options lapsed in accordance with the terms of the 2013 Share Option Scheme or any other share option schemes of the Company under which such options are granted, as the case may be, shall not be counted for the purpose of calculating whether the limit has been exceeded. The 10% general limit was refreshed after the passing of the ordinary resolution by the shareholders at the annual general meeting dated 6 May 2016 on the basis of 591,796,125 shares in issue on that date. After the refreshment, the maximum number of new shares which may be issued upon exercise of all share options that may be granted under the 10% general limit so refreshed is 59,179,612.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2013 Share Option Scheme and options which may be granted and yet to be exercised under any other share option schemes of the Company (or the subsidiary) shall not exceed 30% of the total number of shares in issue from time to time. No options may be granted under any share option schemes of the Company (or the Subsidiary) if this will result in the limit being exceeded.

The 2013 Share Option Scheme will remain in force for a period of ten years commencing from 30 September 2013.

OTHER INFORMATION (CONT'D)

SHARE OPTION SCHEMES (CONT'D)

The subscription price in respect of any particular option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option but in any case the subscription price shall not be less than the higher of (i) the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing price of the shares as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; or (iii) the nominal value of a share.

The options must be taken up within 21 days from the date of grant upon payment of HK\$1 and are exercisable over a period to be determined and notified by the directors to each grantee, which period may commence from the date of acceptance of the offer of the grant of the options but shall end in any event not later than ten years from the date of adoption of the 2013 Share Option Scheme.

The purpose of the 2013 Share Option Scheme is to encourage the participants, including employees, business associates and trustees, to perform their best in achieving the goals of the Group and at the same time allow the participants to enjoy the results of the Company attained through their efforts and contributions and to provide the participants with incentives and help the Company in retaining its existing employees and recruiting additional employees.

No participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in 12-month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. A circular must be sent to the shareholders of the Company disclosing the identity of the proposed grantee, the number and terms of the options granted and to be granted.

OTHER INFORMATION (CONT'D)

SHARE OPTION SCHEMES (CONT'D)

Where any grant of option is to a substantial shareholder (as defined in the GEM Listing Rules) of the Company or an independent non-executive Director or any of their respective associates (as defined in the GEM Listing Rules) and the proposed grant of option, when aggregated will result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of grant, (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, then such proposed grant of option(s) must be subject to approval by shareholders on a poll in a general meeting where all connected persons (as defined in the GEM Listing Rules) of the Company must abstain from voting in favour at such general meeting (except where such connected person(s) (as defined in the GEM Listing Rules) intend(s) to vote against the proposed grant of option(s) and his intention to do so has been stated in the circular).

Share options to subscribe for up to 122,200,000 and 59,000,000 shares were granted to directors, employees and other eligible persons on 12 August 2014 and 10 June 2016 respectively. Pursuant to the terms of the Share Options Scheme, adjustments to the terms of the Existing Share Options may be made in the event of any alteration in the capital structure of the Company including by way of capital reorganisation and open offer.

OTHER INFORMATION (CONT'D)

SHARE OPTION SCHEMES (CONT'D)

Details of the share options granted by the company under the 2013 Share Option Scheme and the movement of the share options during the period were shown as follows:

Name of Grantee	Date of Grant	Exercisable Period	Subscription price per share	Outstanding as at 1 January 2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	Outstanding as at 30 September 2016
<i>Directors:</i>								
Mr. Zhou Jing	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	2,900,000 ^(a)	-	-	(2,900,000)	-
	10 June 2016	10 June 2016 to 9 June 2017	HK\$0.1100	-	5,900,000 ^(a)	(5,900,000)	-	-
Mr. Lam Chun Kei	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	2,900,000 ^(a)	-	-	(2,900,000)	-
	10 June 2016	10 June 2016 to 9 June 2017	HK\$0.1100	-	5,900,000 ^(a)	(5,900,000)	-	-
Mr. Lin Chuen Chow Andy	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	290,000 ^(a)	-	-	(290,000)	-
Mr. Lee Kin Fai	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	290,000 ^(a)	-	-	(290,000)	-
Ms. Cheng Lo Yec	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	290,000 ^(a)	-	-	(290,000)	-
Sub-total				6,670,000	11,800,000	(11,800,000)	(6,670,000)	-
Employees	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	5,800,000 ^(a)	-	-	(5,800,000)	-
	10 June 2016	10 June 2016 to 9 June 2017	HK\$0.1100	-	11,800,000 ^(a)	(11,800,000)	-	-
Sub-total				5,800,000	11,800,000	(11,800,000)	(5,800,000)	-
<i>Other eligible persons:</i>								
Consultants	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	8,700,000 ^(a)	-	-	(8,700,000)	-
	10 June 2016	10 June 2016 to 9 June 2017	HK\$0.1100	-	29,500,000 ^(a)	(29,500,000)	-	-
Directors of a subsidiary	12 August 2014	12 August 2014 to 11 August 2016	HK\$0.4948 ^(a)	5,800,000 ^(a)	-	-	(5,800,000)	-
	10 June 2016	10 June 2016 to 9 June 2017	HK\$0.1100	-	5,900,000 ^(a)	(5,900,000)	-	-
Sub-total				14,500,000	35,400,000	(35,400,000)	(14,500,000)	-
Grand Total				26,970,000	59,000,000	(59,000,000)	(26,970,000)	-

OTHER INFORMATION (CONT'D)

SHARE OPTION SCHEMES (CONT'D)

59,000,000 share options have been exercised on 4 July 2016, the Company has received aggregate subscription money of approximately HK\$6,490,000 and issued 59,000,000 ordinary shares on 6 July 2016, pursuant to the exercise of the options by the grantees under the 2013 Share Option Scheme. The weighted average closing price of the Company's share immediately before the date on which the share options were exercised was HK\$0.1100.

Note:

- (i) The exercise price of the share options scheme and the number of shares to be allotted and issued upon exercising of the share options were adjusted to 26,970,000 shares with exercise price of HK\$0.4948 after the Capital Reorganisation became effective on 4 February 2016 and completion of Open Offer on 14 April 2016.
- (ii) During the period ended 30 September 2016, 59,000,000 share options were granted on 10 June 2016 with exercise price of the share options at HK\$0.1100 per share. The closing price of the Company's shares immediately before 10 June 2016, the date of grant of the share options was HK\$0.1140.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-law or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES OR ITS SUBSIDIARIES' SECURITIES

During the period ended 30 September 2016, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities or the securities of the Company's subsidiaries.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the period ended 30 September 2016.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries was a party and in which a Director had a material interest subsisted at the end of the period or at any time during the period.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SECURITIES OF THE COMPANY

As at 30 September 2016, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests in Securities of the Company" and "Share Option Schemes", at no time during the period was the Company or any of its holding companies or subsidiaries a party to any arrangements which enabled the Company's Directors, their respective spouse or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 September 2016, so far as is known to the Directors, the following persons, other than a director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Nature of Interest	Number of Existing Shares	Approximate percentage of interest (Note 2)
China Green (Holdings) Limited (formerly known as China Culiangwang Beverages Holdings Limited)	Beneficial owner	147,900,000 (L)	22.73%

Note:

1. The letter (L) above denotes long position.
2. The percentage of interest in the Company is calculated by reference to the number of Shares in issue as at 30 September 2016, that is 650,796,125.

Save as disclosed above, as at 30 September 2016, 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 would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Lee Kin Fai (“Mr. Lee”), an independent non-executive Director, is an independent non-executive director of First Credit Finance Group Limited (Stock Code: 8215), a company listed on GEM of the Stock Exchange and principally engaged in money lending business in Hong Kong, which may compete with the Group’s money lending business. On 18 July 2016, Mr. Lee resigned as an independent non-executive director of First Credit Finance Group Limited.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry to all Directors and the Directors have confirmed that they have complied with all the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules during the period ended 30 September 2016.

CORPORATE GOVERNANCE CODE

During the period ended 30 September 2016, the Company has adopted and complied with the code provision (the “Code Provision”) as set out in the “Corporate Governance Code” contained in Appendix 15 (the “Code”) of the GEM Listing Rules except for Code Provision A.2.1 in respect of the role separation of chairman and chief executive officer.

The deviation from the Code Provisions will be explained below. The Company aims to comply with all the Code Provision and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

The Code Provision A.2.1 requires the position of the chairman and the chief executive officer be held separately by two individuals to ensure their independence, separate accountability and responsibilities. The chairman of the Company is responsible for the overall leadership of the Company and for strategies and planning of the Group. The chief executive officer is responsible for the day-to-day management of the Group's business and operations.

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

AUDIT COMMITTEE

The audit committee of the Company consists of three independent non-executive Directors, namely, Mr. Lee Kin Fai, Ms. Cheng Lo Yee and Mr. Hung Kenneth with written terms of reference in compliance with the Rule 5.28 to 5.33 to the GEM Listing Rules. The audit committee has reviewed the third quarterly results for the nine months ended 30 September 2016.

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

Hong Kong, 11 November 2016

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

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