



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



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

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

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

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*This report, for which the directors (the “**Directors**”) of China Demeter Financial Investments Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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\$3,249,000 for the three months ended 31 March 2017 (the “period”), when compared to a profit attributable to owners of the Company amounting to HK\$2,054,000 in the same period last year.
- The revenue of the Group from continuing operations was approximately HK\$15,351,000 for the period, representing an increase of approximately HK\$6,559,000 when compared to the same period of HK\$8,792,000 last year.
- Gross profit from continuing operations for the period was approximately HK\$7,083,000, compared with gross profit of HK\$2,090,000 in the same period last year.
- The board of Directors (the “Board”) does not recommend the payment of any interim dividend for the three months ended 31 March 2017.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board (the “Board”) of directors (the “Directors”) of China Demeter Financial Investments Limited (the “Company”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2017 together with the comparative unaudited figures for the corresponding period in 2016. The first quarterly 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 ended 31 March 2017

	Notes	For the three months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
Continuing operations			
Revenue	3	15,351	8,792
Cost of sales and services		(8,268)	(6,702)
Gross profit		7,083	2,090
Other income, other gains and losses	4	913	478
Selling and distribution costs		(55)	(39)
General and administrative expenses		(7,559)	(3,317)
Change in fair value of financial assets through profit or loss	5	(4,212)	3,913
Share of profit/(loss) of a joint venture		187	(1,243)
Finance costs	6	(520)	(71)
(Loss) profit before tax		(4,163)	1,811
Income tax expense	7	(241)	(582)
(Loss) profit for the period from continuing operations		(4,404)	1,229
Discontinued operation			
Profit for the period from discontinued operation	8	2,805	1,318
(Loss) profit for the period		(1,599)	2,547
Other comprehensive income (expenses) for the period:			
Items that maybe subsequently reclassified to profit or loss:			
– Exchange differences on translation foreign operations		266	154
– Reclassification adjustments relating to foreign operations disposed of during the period		(1,830)	–
– Change in fair value of available-for-sale investment		–	(311)
Other comprehensive expense for the period		(1,564)	(157)
Total comprehensive (expense) income for the period		(3,163)	2,390

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

For the three months ended 31 March 2017

	Notes	For the three months ended 31 March	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
(Loss) profit for the period attributable to:			
– Owners of the Company		(3,249)	2,054
– Non-controlling interests		1,650	493
		<u>(1,599)</u>	<u>2,547</u>
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		(4,046)	1,820
– Non-controlling interests		883	570
		<u>(3,163)</u>	<u>2,390</u>
		For the three months ended 31 March	
		2017 HK Cents	2016 HK Cents (Restated)
(Loss) earnings per share	9		
– for continuing and discontinued operations			
Basic		<u>(0.42)</u>	<u>0.47</u>
Dilutive		<u>(0.42)</u>	<u>0.47</u>
– for continuing operations			
Basic		<u>(0.61)</u>	<u>0.32</u>
Dilutive		<u>(0.61)</u>	<u>0.32</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 business; (iv) securities investment business; and (v) 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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. BASIS OF PREPARATION

These unaudited condensed consolidated financial statements for the three months ended 31 March 2017 have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Chapter 18 to the GEM Listing Rules 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 2016. 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 2016. 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 2017, 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 from continuing operations.

	For the three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000 (Restated)
	(Unaudited)	(Unaudited)
Sales of feedstock products	7,176	5,613
Loan interest income	1,638	1,745
Provision of financial services		
– Commission from securities dealing	2,052	–
– Placing and underwriting commission	1,671	–
– Interest income from securities clients	1,641	–
– Clearing and handing fee income	49	–
Provision of food and beverage services	1,124	1,434
	<u>15,351</u>	<u>8,792</u>

4. OTHER INCOME, OTHER GAINS AND LOSSES

Continuing operations

	For the three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000 (Restated)
	(Unaudited)	(Unaudited)
Bank interest income	6	4
Dividend income from available-for-sales investment	907	–
Sundry income	–	474
	<u>913</u>	<u>478</u>

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

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

NOTES (CONT'D)

6. FINANCE COSTS

Continuing operations

	For the three months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
Interest on bank and other borrowings	<u>520</u>	<u>71</u>

7. INCOME TAX EXPENSE

Continuing operations

	For the three months ended 31 March	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Restated) (Unaudited)
Current tax		
Hong Kong Profits Tax	234	–
The People's Republic of China (the "PRC") Enterprise Income Tax	<u>7</u>	<u>6</u>
Deferred tax	<u>–</u>	<u>576</u>
Total income tax expense recognised in profit or loss	<u>241</u>	<u>582</u>

Hong Kong Profits 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 OPERATION

Disposal of an indirect non-wholly owned subsidiary

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

The results for the period from the discontinued operation (i.e. animal husbandry 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 animal husbandry business as discontinued in the prior period.

	For the three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	–	1,734
Cost of sales	–	(402)
General and administrative expenses	(62)	(14)
Gain on disposal	2,867	–
	2,805	1,318
Attributable to:		
Owners of the Company	1,431	672
Non-controlling interests	1,374	646
	2,805	1,318

NOTES (CONT'D)

8. DISCONTINUED OPERATION (CONT'D)

Disposal of an indirect non-wholly owned subsidiary (continued)

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

	<i>HK\$'000</i>
	(Unaudited)
The net assets disposed of were as follows:	
Property, plant and equipment	197
Deposits, prepayments and other receivables	2
Cash and cash equivalents	<u>3</u>
Net assets disposed of	202
Profit on disposal:	
Consideration	1,239
Net assets disposed of	(202)
Release of foreign currency exchange reserve	<u>1,830</u>
Profit on disposal	<u><u>2,867</u></u>
Net cash inflow arising on disposal	
Cash consideration	1,239
Less: cash and cash equivalents disposed of	<u>(3)</u>
	<u><u>1,236</u></u>

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 31 March	
	2017 HK\$'000 (Unaudited)	2016 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	<u>(3,249)</u>	<u>2,054</u>

Number of shares

	For the three months ended 31 March		
	2017 '000	2016 '000	2016 '000 (Previously stated)
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share	<u>769,136</u>	<u>440,054</u>	<u>394,531</u>

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss) earnings per share for the period ended 31 March 2016 has been adjusted to reflect the effect of issue of shares pursuant to open offer as detailed in note 12.

NOTES (CONT'D)

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

For continuing operations

	For the three months ended 31 March	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i> (Restated)
	(Unaudited)	(Unaudited)
(Loss) earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted (loss) earnings per share	(3,249)	2,054
Less: Profit for the period attributable to owners of the Company from discontinued operation	<u>(1,431)</u>	<u>(672)</u>
(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><u>(4,680)</u></u>	<u><u>1,382</u></u>

NOTES (CONT'D)

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

For discontinued operation

	For the three months ended 31 March	
	2017 (Unaudited)	2016 (Restated) (Unaudited)
Earnings per share:		
– Basic (HK cents)	<u>0.19</u>	<u>0.15</u>
– Diluted (HK cents)	<u>0.19</u>	<u>0.15</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings:		
Earnings for the period attributable to owners of the Company for the purpose of calculating basic and diluted earning per share from discontinued operation	<u>1,431</u>	<u>672</u>

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

The computation of diluted earnings per share for the period ended 31 March 2016 did not assume the exercise of potential ordinary shares granted under the Company's share options scheme because the exercise price of those options was higher than the average market prices of share for the period ended 31 March 2016.

10. INTERIM DIVIDEND

The directors do not recommend the payment of any interim dividend for the three months ended 31 March 2017 (31 March 2016: Nil).

NOTES (CONT'D)

11. RESERVES

For the three months ended 31 March 2017

	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 investment revaluation reserve HK\$'000	Retained profits HK\$'000	Sub-Total HK\$'000	Attributable to non-controlling interests HK\$'000	Total HK\$'000
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
Profit for the period	-	-	-	-	-	-	-	-	2,054	2,054	493	2,547
Other comprehensive income (expense) for the period	-	-	-	-	-	-	77	(311)	-	(234)	77	(157)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	77	(311)	2,054	1,820	570	2,390
Capital Reorganisation (note 22(i))	(15,782)	-	15,782	-	-	-	-	-	-	-	-	-
Lapse of share option	-	-	-	-	-	(58)	-	-	58	-	-	-
At 31 March 2016 (Unaudited)	3,945	84,734	176,035	61,545	873	4,614	2,103	(311)	10,336	343,874	10,162	354,036
At 1 January 2017 (Audited)	7,691	118,769	153,551	61,545	873	-	1,406	(112)	17,697	361,420	37,961	399,381
(Loss)/profit for the period	-	-	-	-	-	-	-	-	(3,249)	(3,249)	1,650	(1,599)
Other comprehensive expense for the period	-	-	-	-	-	-	(797)	-	-	(797)	(767)	(1,564)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	(797)	-	(3,249)	(4,046)	883	(3,163)
At 31 March 2017 (Unaudited)	7,691	118,769	153,551	61,545	873	-	609	(112)	14,448	357,374	38,844	396,218

NOTES (CONT'D)

12. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
<u>Authorised:</u>		
At 1 January 2016, ordinary shares of HK\$0.01 each	100,000,000	1,000,000
Share consolidation (<i>Note (i)</i>)	(80,000,000)	–
Share sub-division (<i>Note (i)</i>)	80,000,000	–
	<hr/>	<hr/>
At 31 December 2016, 1 January 2017 and 31 March 2017, ordinary shares of HK\$0.01 each	100,000,000	1,000,000
	<hr/> <hr/>	<hr/> <hr/>
<u>Issued and fully paid:</u>		
At 1 January 2016, ordinary shares of HK\$0.01 each	1,972,654	19,727
Capital reorganisation (<i>Note (i)</i>)	(1,578,123)	(15,782)
Issue of shares pursuant to open offer (<i>Note (ii)</i>)	197,265	1,973
Issue of shares upon exercise of share options (<i>Note (iii)</i>)	59,000	590
Issue of placing shares (<i>Note (iv)</i>)	118,340	1,183
	<hr/>	<hr/>
At 31 December 2016, 1 January 2017 and 31 March 2017, ordinary shares of HK\$0.01 each	769,136	7,691
	<hr/> <hr/>	<hr/> <hr/>

NOTES (CONT'D)

12. SHARE CAPITAL (CONT'D)

Notes:

(i) **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)

Notes: (continued)

(ii) 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. 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.

(iii) Issue of shares upon exercise of share options

During the year ended 31 December 2016, 59,000,000 ordinary shares were issued upon the exercise of a total of 59,000,000 share options at exercise price HK\$0.11 per share, giving rise to aggregate net proceeds of approximately HK\$6,490,000.

(iv) Issue of placing shares

On 2 December 2016, the Company completed the placing of an aggregate of 118,340,000 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\$11,300,000.

NOTES (CONT'D)

13. EVENT AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 24 February 2017, a purchase and sale agreement entered between Golden Harvest Holdings Limited (“Golden Harvest”), an indirectly wholly-owned subsidiary of the Company and Trinity Worldwide Capital Holding Limited (“Trinity Worldwide”), a company incorporated in the British Virgin Islands with limited liability, pursuant to which, the Group conditionally agreed to acquire the remaining 49% equity interest in Profit Network Asia Inc. (“Profit Network”) at a total consideration of HK\$39,200,000. The acquisition is subject to several conditions precedent, and has yet to be completed as at the date of the approval of the first quarterly results for the three months ended 31 March 2017.

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 places 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).

As disclosed in the announcement of the Company dated 7 April 2017, the Company has granted share options to ten eligible persons (“Grantees”) under the share option scheme adopted by the Company on 30 September 2013, subscribe for a total of 76,900,000 new ordinary shares of HK\$0.01 each in the share capital of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial and Business Review

China Demeter Financial Investments Limited (the “Company” and, together with its subsidiaries, the “Group”) recorded a loss attributable to owners of the Company of approximately HK\$3,249,000 for the three months ended 31 March 2017 (the “Period”) (31 March 2016: a profit attributable to owners of the Company of approximately HK\$ 2,054,000). The loss attributable to owners of the Company was mainly attributable to the fluctuation in the Hong Kong stock market during the Period, which resulted in losses of approximately HK\$4,212,000 on financial assets at fair value through profit or loss during the Period as compared to profit of approximately HK\$3,913,000 on financial assets at fair value through profit or loss during the same period last year. 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 the Period, as compared to profit recorded for the same period last year. The decrease in profit was partially set off by profit from our financial services business newly acquired by the Group in September 2016 and gains from disposal of an indirect non-wholly owned subsidiary of the Company in March 2017.

Revenue of the Group from the continuing operations for the Period increased by approximately 75% to approximately HK\$15,351,000 (31 March 2016: approximately HK\$8,792,000), while gross profit from the continuing operations for the Period was approximately HK\$7,083,000 (31 March 2016: approximately HK\$2,090,000). The revenue from the continuing operations for the Period comprised the sales of feedstock products amounting to approximately HK\$7,176,000 (31 March 2016: approximately HK\$5,613,000), loan interest income amounting to approximately HK\$1,638,000 (31 March 2016: approximately HK\$1,745,000), provision of financial services amounting to approximately HK\$5,413,000 (31 March 2016: Nil) and provision of food and beverage services amounting to approximately HK\$1,124,000 (31 March 2016: approximately HK\$1,434,000).

General and administrative expenses from the continuing operations for the Period increased to approximately HK\$7,559,000 (31 March 2016: approximately HK\$3,317,000), mainly due to the inclusion of the administrative expenses from the new financial services business during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Agriculture Business

Revenue of the feedstock product business for the Period was approximately HK\$7,176,000 (31 March 2016: approximately HK\$5,613,000), which was mainly attributable to steady sales of feedstock products.

In view of the increasingly stringent environmental protection laws in the PRC, it is expected that a relatively large scale capital investment would be required to upgrade the infrastructure and facilities of the live swine breeding business, so as to maintain the Company's live swine breeding and sales business at the current level and its competitiveness. If the necessary capital investment was not provided, the live swine breeding business would not be able to keep up with its current business scale. In addition, certain buildings relating to the live swine breeding business were physically damaged. The management estimated that the upgrade of equipment and facilities would take about six months, during which the live swine breeding business might have to be suspended and approvals had to be obtained from the relevant authorities. If such upgrade was carried out, the daily operation of the live swine breeding business would be affected, and as such the revenue and profit generated from the live swine breeding business in 2017 would possibly be much lower than those of 2016.

Therefore, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), which is a limited liability company established in the PRC and an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, as vendor, entered into an equity transfer agreement with He Xiongfeng, an independent third party, as purchaser, to dispose of 100% of the issued shares of 武平建軍生態養殖有限公司 (in English, for identification only, "Wuping Jian Jun Ecology Breeding Company Limited"), which is a limited liability company established in the PRC and is principally engaged in breeding and sales of live swine in the PRC ("Disposal"). The Disposal constituted a major transaction of the Company pursuant to the GEM Listing Rules, and its resolution was passed by the Shareholders of the Company at the Special General Meeting ("SGM") on 8 March 2017. The Disposal has been completed in March 2017. Please refer to the announcement dated 20 March 2017 for details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Money Lending Business

During the Period, the Group used its surplus liquidity to fund its money lending business through its indirectly wholly-owned subsidiaries, Way Union Finance Limited and Delight Sky Finance Limited and loan interest income under this business segment amounted to approximately HK\$1,638,000 during the Period (31 March 2016: HK\$1,745,000). Interests of the loan receivables were charged at rates ranging from 5.0% to 8.5% per annum during the Period.

Financial Services Business

To further develop its financial services business, the Group completed the acquisition of the 51% equity interest in Profit Network Asia Inc. ("Profit Network") and its wholly owned subsidiary ("Profit Network Group") in 2016. On 24 February 2017, a purchase and sales agreement was entered into between Golden Harvest and Trinity Worldwide Capital, pursuant to which, the Group conditionally agreed to acquire the remaining 49% equity interest in Profit Network at a total consideration of HK\$39,200,000. The acquisition is subject to several conditions precedent, and has yet to be completed as at the date of the approval of the first quarterly results for the three months ended 31 March 2017.

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 acquisition will provide a prime opportunity for the Group to continue to develop its newly acquired financial services business segment which is expected to give a positive impact to the operations, financial results and profitability of the Group.

The Board believes that the acquisition will be conducive to diversifying the Group's business by leveraging on the operational model and management experiences of Profit Network Group, in particular in advising on securities. In addition, the Group will continue to develop its newly acquired financial services business which is expected to bring about a positive impact on the operations, financial results and profitability of the Group. During the Period, revenue from external customers of Profit Network Group amounted to approximately HK\$5,413,000 (31 March 2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Securities Investment Business

The Group's diversified securities investment portfolios cover both listed and non-listed companies, in order to diversify its investment portfolios and increase returns to shareholders.

During the Period, the Group recorded loss from the changes in fair value of financial assets through profit or loss of approximately HK\$4,212,000 (31 March 2016: profit of approximately HK\$3,913,000). The decrease was mainly due to the fluctuations in Hong Kong securities market.

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 five listed companies as at 31 March 2017 accounted for approximately 86% of the total market value of all the financial assets at fair value through profit or loss held by the Group as at 31 March 2017. These investments included (i) 184,252,768 shares of Convoy Global Holdings Limited ("Convoy Global"); (ii) 41,200,000 shares of China e-Wallet Payment Group Limited ("China e-Wallet") (formerly known as "RCG Holdings Limited"); (iii) 35,865,000 shares of AMCO United Holding Limited ("AMCO United Holding"); (iv) 12,702,000 shares of Town Health International Medical Group Limited ("THIM"); and (v) 101,908,170 shares of First Credit Finance Group Limited ("First Credit"). The respective shares of Convoy Global, China e-Wallet, AMCO United Holding and THIM are listed on the main board of the Stock Exchange. First Credit is listed on the GEM of the Stock Exchange. The Group's investments in Convoy Global, China e-Wallet, AMCO United Holding, THIM and First Credit were collectively known as "Significant Investment".

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Securities Investment Business (cont'd)

Details on Significant Investment are as follows:

Investee Companies	For the Period ended 31 March 2017		At 31 March 2017		At 31 December 2016	
	Fair value gains (losses) <i>HK\$'000</i>	through profit or loss <i>(Note 1)</i>	Market value <i>HK\$'000</i>	Approximate percentage of financial assets at fair value through profit or loss <i>(Note 2)</i>	Approximate percentage to the net assets <i>(Note 3)</i>	Market value <i>HK\$'000</i>
Convoy Global	(4,790)	113.7%	37,772	21.7%	9.5%	42,562
China e-Wallet	824	(19.6%)	27,604	15.9%	7.0%	26,780
AMCO United Holding	1,794	(42.6%)	22,954	13.2%	5.8%	21,160
THIM	(127)	3.0%	15,750	9.0%	4.0%	20,450
First Credit	(1,895)	45.0%	44,840	25.8%	11.3%	<i>Note 4</i>

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 the investment by gains (losses) from the changes in fair value of financial assets through profit or loss during the corresponding periods.

Note 2: Approximate percentage of financial assets at fair value through profit or loss is calculated by dividing market value of the investment by total carrying value of the financial assets at fair value through profit or loss held by the Group as at 31 March 2017.

Note 3: Approximate percentage to the net assets is calculated by dividing market value of the investment by the net assets of the Group as at 31 March 2017.

Note 4: Not applicable as the Group first acquired the relevant shares after 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Securities Investment Business (cont'd)

Convoy Global is principally engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business. China e-Wallet is principally engaged in the provision of biometric identification products, radio frequency identification products and solution services, internet and mobile application and related services. AMCO United Holding is principally engaged in manufacture and sale of medical devices products, manufacture and sale of plastic moulding products, provision of public relations services, provision of construction services in building construction, building maintenance and improvement works, project management, renovation and decoration works, provision of money lending and investment in securities. THIM is principally engaged in healthcare business investments, provision and management of medical, dental and other healthcare and related services, investments in businesses, securities and properties. First Credit is principally engaged in money lending business.

Given the realignment of the US dollar and the political upheaval in the European and American markets amid a recently improving global economic outlook, the Asian market will face favorable capital inflow across the world. Benefiting from the launch of the Shenzhen Hongkong Stock Connect, the stock and bond markets in Hong Kong maintains growth for the first quarter. However, faced with such unfavorable conditions as decelerating global economic activities, a persistent slowdown in economic growth, declining commodity prices, and global trading activities, the Hong Kong stock market resulted in changes in financial assets at fair value through profit or loss, and the Group record a loss in financial assets at fair value through profit or loss for the three months ended 31 March 2017. The Board expects that the Group's performance in significant investments will still be able to generate positive returns for the Group in the near future. Therefore, the Board will continue to closely monitor the performance of securities to mitigate potential financial risks.

Food and Beverage Business

During the Period, the Group recorded income of approximately HK\$1,124,000 (31 March 2016: approximately HK\$1,434,000) in the provision of food and beverage service. 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, thus generating returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Establishment of a Joint Venture

The joint venture is currently engaged in investing 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 the share of profit of a joint venture of approximately HK\$187,000 (31 March 2016: loss approximately HK\$1,243,000). The profit was mainly attributable the adoption of cost control measures to increase the efficiency of the operation, so as to improve the financial performance. The Group will closely monitor the development of the joint venture and adjust its business strategy according to the market conditions to cater to market needs.

Change of Company Name

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

Prospect

Looking ahead, the Group will further advance the development of all business segments to further diversify the Company’s business portfolio, while closely and actively following the market trend to identify new investment opportunities. Leveraging on Hong Kong’s advantage as a major international financial center, the Group will be committed to developing our financial services and securities investment businesses into one of the major growth drivers. The acquisition of the equity interest in Profit Network Group will enable the Group to consolidate its position in the financial services and securities investment businesses and achieve strong development momentum in advising on securities by leveraging on its own resources and capitalising on Profit Network Group’s professional operational model and management experiences. This will be conducive to expanding the Group’s operation and investment scope, as well as broadening the Group’s income sources. In addition, the Directors remain optimistic about the growth potential in the money lending markets of Hong Kong, and will closely monitor the market trend with appropriate measures accordingly to improve our overall operational efficiency and strengthen our revenue base.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Prospect (cont'd)

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 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, generating higher returns for our shareholders.

Issue of shares under the general mandate

On 31 March 2017, the Company and Astrum Capital Management Limited (the "Placing Agent") entered into a placing agreement 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 places under general mandate. As disclosed in the announcement of the Company dated 21 April 2017, completion of the Placing took place on 21 April 2017 in accordance with the terms of the placing agreement. The Company received net proceed of approximately HK\$14.7 million, which will be used for partial payment of the acquisition of the remaining 49% of the issued shares of Profit Network Asia Inc. 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.

Material acquisition and disposal

On 18 January 2017, 廈門市東岳貿易有限公司 (in English, for identification only, "Xiamen Dongyu Trading Company Limited"), an indirect non-wholly owned subsidiary of the Company, entered into an equity transfer agreement with 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 announcement dated 8 March 2017 in relation to the poll results of the special general meeting, the relevant resolution to approve such disposal was duly passed by the Shareholders by way of poll. The disposal was completed in March 2017. For details, please refer to the announcements of the Company dated 18 January 2017, 8 March 2017 and 20 March 2017 and the circular of the Company dated 20 February 2017.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Material acquisition and disposal (cont'd)

On 24 February 2017, Golden Harvest and Trinity Worldwide, entered into a purchase and sales agreement, pursuant to which, the Company conditionally agreed to acquire the remaining 49% equity interest in Profit Network, a company owned as to 49% by Trinity Worldwide and 51% by the Company as at 24 February 2017, at a total consideration of HK\$39,200,000. Since September 2016, Profit Network Group has become a non-wholly owned subsidiary of the Company and the financial results of the Profit Network Group have been consolidated into the consolidated financial statements of the Company.

The Consideration will be partly funded from the net proceeds of approximately HK\$14.7 million from the placing of new Shares under general mandate of the Company which was completed on 21 April 2017, further particulars of which are set out in the announcements of the Company dated 31 March 2017 and 21 April 2017, and the remaining of which to be funded from the internal resources of the Group. Trinity Worldwide is an investment holding company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive Director of the Company. Accordingly, the Trinity Worldwide is an associate of Mr. Ng Ting Ho and is a connected person of the Company under the GEM Listing Rules and the Acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. The subsidiary of Profit Network incorporated in 2010, is a licensed corporation to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under SFO. The acquisition is subject to several conditions precedent, and has yet to be completed as at the date of the approval of the first quarterly results for the three months ended 31 March 2017.

Save as disclosed above, the Company did not have any significant acquisition and disposal during the three months ended 31 March 2017.

Interim Dividend

The Directors of the Company do not recommend the payment of any interim dividend for the three months ended 31 March 2017 (31 March 2016: Nil).

SHARE OPTION SCHEMES

The Company's New 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.

SHARE OPTION SCHEMES (CONT'D)

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 special general meeting dated 6 February 2017 on the basis of 769,136,125 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 76,913,612.

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.

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.

SHARE OPTION SCHEMES (CONT'D)

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.

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).

As at 31 March 2017, no share option had been granted or exercised under the scheme for the period ended 31 March 2017. As disclosed in the announcement of the Company dated 7 April 2017, the Company has granted share options to ten eligible persons (“Grantees”) under the share option scheme adopted by the Company on 30 September 2013, to subscribe for a total of 76,900,000 new ordinary shares of HK\$0.01 each in the share capital of the Company. After which, the Company can only grant further share options entitling the holders thereof to subscribe for 13,612 shares. As disclosed in the circular of the annual general meeting dated 5 May 2017, the Company proposed to refresh 10% general limit under the 2013 Share Option Scheme, under which subject to approval of shareholders in the annual general meeting, the Company may grant share options entitling holders thereof to subscribe for up to a maximum number of 92,293,612 shares.

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 31 March 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed 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 31 March 2017.

DIRECTORS' INTERESTS IN A TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

No transactions, arrangements and contracts of significance to which the Company or its subsidiaries was a party and in which a Director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Period or at any time during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, none of the Directors or chief executive nor their associates had interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were 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.

As at 31 March 2017, none of the Directors had short positions in the shares or underlying shares of equity derivatives of the Company and no other person was individually and/or collectively entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and was able, as a practical matter, to direct or influence the management of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Directors' and Chief Executives' Interests and Short Positions in shares, underlying shares and Debentures" and "Share Option Schemes" above, 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

As at 31 March 2017, the register of substantial shareholders maintained by the Company, pursuant to section 336 of the SFO shows that the following shareholder had notified the Company at relevant interests and short positions in the issued share capital of the Company:

Long Position

<u>Name of Shareholder</u>	<u>Capacity</u>	<u>Number of ordinary shares held</u>	<u>Percentage of the share capital of the Company</u>
China Green (Holdings) Limited	Beneficial owner	147,900,000	19.23%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the share capital of the Company as at 31 March 2017.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Lee Kin Fai, an independent non-executive Director, is an executive director of Get Holdings Limited (Stock Code: 8100) and 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.

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 31 March 2017.

CORPORATE GOVERNANCE CODE

During the period ended 31 March 2017, the Company has adopted and complied with all 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.

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 first quarterly results for the three months ended 31 March 2017.

On behalf of the Board

China Demeter Financial Investments Limited

Zhou Jing

Chairman

Hong Kong, 12 May 2017

As at the date of this report, the Board 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 report 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.