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)

Annual Report 2017

CHARACTERISTICS OF 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.

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

*This annual 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 GEM (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 annual 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 annual report misleading.*

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Ng Ting Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Hin Hang
Mr. Yum Edward Liang Hsien
Mr. Hung Kenneth

COMPLIANCE OFFICER

Mr. Zhou Jing

AUTHORISED REPRESENTATIVES

Mr. Lam Chun Kei
Ms. Chan Lai Ping

AUDIT COMMITTEE

Mr. Chan Hin Hang *(Chairman)*
Mr. Yum Edward Liang Hsien
Mr. Hung Kenneth

REMUNERATION COMMITTEE

Mr. Chan Hin Hang *(Chairman)*
Mr. Yum Edward Liang Hsien
Mr. Hung Kenneth

NOMINATION COMMITTEE

Mr. Yum Edward Liang Hsien *(Chairman)*
Mr. Chan Hin Hang
Mr. Hung Kenneth

COMPANY SECRETARY

Ms. Chan Lai Ping, CPA

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

STOCK CODE

8120

WEBSITE

http://www.chinademeter.com

Chairman's statement

Dear Shareholders,

On behalf of China Demeter Financial Investments Limited (the "**Company**", together with its subsidiaries, the "**Group**"), it gives me great pleasure to present to you the annual report for the year ended 31 December 2017.

RESULTS PERFORMANCE

For the year ended 31 December 2017, the Group recorded revenue from continuing operations of approximately HK$53,393,000 (2016: approximately HK$37,739,000). Loss attributable to owners of the Company amounted to approximately HK$98,487,000 (2016: approximately HK$17,683,000). The net loss attributable to owners of the Company for the year ended 31 December 2017 was mainly attributable to fair value loss on financial assets through profit or loss of approximately HK$87,506,000, the impairment loss of goodwill of approximately HK$13,844,000, the impairment loss of available-for-sale investment of approximately HK$6,680,000 and the general and administrative expenses of approximately HK$37,220,000, which were offset by dividend income from available-for-sale investments of approximately HK$27,487,000, loan interest income of approximately HK$7,305,000 and income from financial service of approximately HK$13,774,000.

BUSINESS PERFORMANCE

For the year ended 31 December 2017, the Group recorded a turnover of the feedstock products business of approximately HK$32,110,000, representing an increase of approximately HK$8,962,000 as compared to approximately HK$23,148,000 in the corresponding year of 2016. In January 2017, an indirect non-wholly owned subsidiary of the Company owned as to 51% by the Company, entered into an equity transfer agreement with an independent third party, pursuant to which, the Group conditionally agreed to dispose of 100% equity interest in a subsidiary, which is principally engaged in breeding and sale of live swine in the People's Republic of China (the "**PRC**"). Due to completion of the disposal in March 2017, the Group ceased the operation in breeding and sale of live swine.

During the year, the Group used its surplus liquidity to fund its money lending business through its indirectly wholly-owned subsidiaries. Loan interest income under this business segment amounted to approximately HK$7,305,000 during the year (2016: approximately HK$6,261,000). During the year, interests of the loan receivables were charged at rates ranging from 4% to 14% per annum.

The Group has investments in securities of listed and non-listed companies and funds in order to diversify its investment portfolios and increase returns to shareholders. During the year, the Group recorded a loss in fair value of financial assets through profit or loss of approximately HK$87,506,000 and impairment loss of available-for-sale investments of HK$6,680,000. The Board will continue to closely monitor the performance of securities and investments to mitigate possible financial risks.

Chairman's statement

On 24 February 2017, a purchase and sales agreement was entered into with Trinity Worldwide Capital Holding Limited (which is 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. Due to completion of the acquisition on 16 June 2017, Profit Network and its subsidiary ("**Profit Network Group**") have become a wholly owned subsidiaries of the Group, the financial results of which will thus remain accounted into the consolidated financial statements of the Group.

In 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 ("**Placing**"), on a best basis, in aggregate, up to 153,800,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a price of HK$0.10 per placing share. In April 2017, the Company received net proceeds of approximately HK$14.7 million from the Placing.

To provide the Company a better identification and to strengthen the Company's corporate image, the Company has changed its English name 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". The Company is of the view that such change in company name will better reflect and emphasis the extension of the Group's business focus to financial services business.

The Group is committed to reinforcing its intrinsic strength and further consolidating each of the business segments to boost new income growth. Meanwhile, the Group will continue to identify potential business and investment opportunities with a view to increase the sources of income and bring higher returns to the shareholders.

BUSINESS PROSPECTS

Looking ahead, the Group will continue to strengthen the existing agricultural business and remains committed to take a flexible and cautious approach to the operation of feedstock products business by formulating our business strategies based on the market development.

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

Chairman's statement

Following the disposal of the food and beverage business in January 2018, the Group ceased to operate the food and beverage business since then. In light of the unsatisfactory financial performance of the food and beverage business over the past year, it is expected that the possibility for the need to make further investment in this business so as to maintain the Group's food and beverage business at current level is high. Despite this business disposed at loss, it was nevertheless a reasonable decision made under the current circumstances.

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

I would like to take this opportunity to express my sincere gratitude to the Directors, management and our staff for their contributions made to the development of the Group. At the same time, I would like to express my appreciation to our shareholders for their continued support. In return for your support, we are fully committed to do our best to bring better returns to our shareholders in the future.

Zhou Jing
Chairman

Hong Kong, 23 March 2018

Management Discussion and Analysis

FINANCIAL AND BUSINESS REVIEW

China Demeter Financial Investments Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") recorded a net loss attributable to owners of the Company of approximately HK$98,487,000 for the year ended 31 December 2017 (the "**Year**") (31 December 2016: approximately HK$17,683,000). This was mainly attributable to the fair value loss on financial assets through profit or loss of approximately HK$87,506,000, the impairment loss of goodwill of approximately HK$13,844,000, the impairment loss of available-for-sale investment approximately HK$6,680,000 and the general and administrative expenses of approximately HK$37,220,000, which were offset by dividend income from available-for-sale investments of approximately HK$27,487,000, loan interest income of approximately HK$7,305,000 and income from financial service of approximately HK$13,774,000.

Revenue of the Group from the continuing operations for the Year increased by approximately 41.48% to approximately HK$53,393,000 (31 December 2016: approximately HK$37,739,000), while gross profit from the continuing operations for the Year was approximately HK$22,142,000 (31 December 2016: approximately HK$16,067,000). Revenue from the continuing operations for the Year comprised the sales of feedstock products amounting to approximately HK$32,110,000 (31 December 2016: approximately HK$23,148,000), dividend income from listed equity investments amounting to approximately HK$204,000 (31 December 2016: approximately HK$442,000), loan interest income amounting to approximately HK$7,305,000 (31 December 2016: approximately HK$6,261,000), and provision of financial services amounting to approximately HK$13,774,000 (31 December 2016: approximately HK$7,888,000).

General and administrative expenses from the continuing operations for the Year increased to approximately HK$37,220,000 (31 December 2016: approximately HK$25,594,000). Such increase was mainly due to inclusion of the operating expenses of Profit Network Group to the administrative expenses of the Group upon completion of the acquisition of Profit Network Group since 2 September 2016.

AGRICULTURAL BUSINESS

Revenue of the feedstock product business for the Year was approximately HK$32,110,000 (31 December 2016: approximately HK$23,148,000), representing an increase of approximately HK$8,962,000 as compared to the same period last year. This 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, entered into an equity transfer agreement with an independent third party, 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.

The Group did not record the sale of the breeding and sale of live swine business following the Disposal and deconsolidated it from the Group's consolidated financial statements. The Group recorded profit of approximately HK$2,805,000 (31 December 2016: approximately HK$6,024,000) from the discontinued operation of the breeding and sale of live swine business for the Year.

MONEY LENDING BUSINESS

The licensing of money lenders and regulation of money-lending transactions are governed by the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong, in which a person or company carrying on business as a money lender in Hong Kong must obtain a money lender licence.

The market of money lending business by licensed money lenders in Hong Kong is keen and competitive. Based on the list of existing money lenders licensees as maintained by the Registrar of Companies in Hong Kong, there were more than 1,900 licensed money lenders (including applications for renewal in progress) in Hong Kong as at 31 December 2017.

The scope of money lending services provided by licensed money lenders generally includes personal loans, business loans and mortgage loans. Within a loan category, the interest rates, the length of term of loan and choice of instalments vary with each licensed money lender. In addition to competition with other licensed money lenders, licensed money lenders also compete with authorised institutions such as banks, restricted licensed banks and deposit-taking companies in the provision of money lending services, although licensed money lenders may offer an advantage in providing loans with simpler approval procedures and greater flexibility.

Therefore, in view of the competitive landscape of the money lending business in Hong Kong, to reach potential borrowers who might compare lending services and products across various options, the brand exposure and target market are important to a licensed money lender.

The Group's money lending business does not generally target the general public. To differentiate from other licensed money lenders in the market, the target customers of the money lending business of the Group are mainly as follows:

(i) as regards personal loans, the Group targets well-heeled and reputational customers, the occupations of which ranged from executives, businessmen to professionals; and

(ii) as regards business loans, the Group targets well-established companies with business operations in Hong Kong and/or the PRC.

For the year ended 31 December 2017, the Group mainly provided fixed loans to individuals and companies where interests are payable by tailor-made schedule at fixed interest rate. The Group's money lending business will not usually grant loans to connected persons of the Company and for the year ended 31 December 2017, the Group has not granted any loan to the connected persons of the Company.

As at 31 December 2017, personal loans represented approximately 73% and business loans represented approximately 27% respectively in value of the Group's total active and outstanding loan portfolio. All of the customers in the Group's money lending business are Hong Kong or PRC residents or companies with business operations in Hong Kong and the PRC and come from referral from the business partners of the Group.

The majority of our loans are short-term loans repayable within a year. As at 31 December 2017, 88% of outstanding loan balances were short-term loans repayable within one year and 12% of outstanding loan balances were long-term loans repayable beyond one year.

As at 31 December 2017, the effective interest rate of the active and outstanding loans in the loan portfolio of the Group's money lending business ranged from approximately 5% to 14% per annum. Most of the loans granted by the money lending business of the Group are unsecured loans. To justify the higher credit risk, the Group typically charge a higher interest rate. Unsecured loans represented approximately 91% of the Group's total active and outstanding loan portfolio as at 31 December 2017.

Given that the majority of the loans granted by the Group's money lending business are short term loans provided to our customers who, as mentioned above, were well-heeled and reputational individuals and well-established companies who/which need short-term financing for personal/business needs, the collateral requirement was not viable as it was inconvenient to provide collaterals for short-term loans. Moreover, the creation and release of collaterals for short-term loans will create unnecessary administrative cost to the Group. In view of the higher underlying credit risk and lack of collateral, the Group could typically charge higher interest rates. Also, the Group usually required customers to provide signed and post-dated bank cheques with payments in accordance with tailor made repayment schedules.

For certain corporate customers, the Group has requested personal/corporate guarantees in order to enhance the recoverability of the loans. In determining whether a personal/corporate guarantee is required to add further security for the loan, the Group will consider, on a case by case basis, the reason for the borrowing, the credit history of the borrower with the Group, the borrower's financial background and the Group's credit exposure for the loan. As at 31 December 2017, loans which are backed by personal/corporate guarantees/mortgages in respect of a property represented approximately 30% in total number of loans, and approximately 24% in value of our Group's total active and outstanding loan portfolio.

Impairment loss of loan and interest receivables of approximately HK$103,000 was made on the Group's money lending business for the Year.

CREDIT POLICY AND LOAN APPROVAL PROCESS

The board of Directors ("**Board**") has set up a credit committee ("**Credit Committee**") and adopted a credit policy for the credit approval procedures. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members.

The primary duties of the Credit Committee are, among other things, to approve and oversee the credit policy of the Group's money lending business and to monitor our loan portfolio. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment. Given the fast changing environment, the Board and the Credit Committee endeavor to review the credit policy at least once a year.

Loan applications are generally received by the Credit Committee members, who are responsible for verifying the loan application documents and processing the loan applications. Credit Committee members are the main contact point with the customers, and are responsible for collecting the customers' information and handling loan application documents throughout the loan application process.

After receipt of the loan applications, the Credit Committee will perform the credit assessment procedures to assess the repayment ability of customers. The Group has set out strict credit check procedures to verify the credit worthiness of the customers. As each loan is different and unique, the Group does not have any specific quantitative conditions or criteria imposed for approving its loan. Each loan is decided on a case-by-case basis.

The following is a summary of the general guidelines of assessing the loan applications by the Credit Committee:

(1) Identity proof – such as identity card and passport (for individuals) and business registration certificate, certificate of incorporation and the constitutional documents (for corporate entities) must be verified;

(2) Address proof – such as utility bills, bank/credit card statements or formal correspondence issued by a government or statutory body is required to be produced;

(3) Repayment ability assessment – to assess and justify the repayment ability of the customer, criteria such as availability of guarantor, the background of the customer, and where applicable, the past payment record and any other relevant information are to be considered. The Credit Committee may request further information from the customer including but not limited to the followings: tax demand note, tax return, bank book record, bank statement, payroll slip, MPF statement, employer's letter, employment contract, rental income receipt, tenancy agreement, financial statements, and auditor's report etc.; and

(4) Legal search – a legal search will be conducted on the customers (and as the case may be, the guarantors) to ascertain if the potential borrowers have any prior legal cases in the past, which may cast doubt on credit worthiness and repayment ability.

As with the credit assessment of borrowers, guarantors who provide personal/corporate guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures.

The Credit Committee members will also be responsible for determining the interest rates charged to the customers, having taken into consideration factors such as the credit risks of the customers, their recoverability and the prevalent market interest rates. Typically, higher interest rates will be charged for unsecured loans to justify the higher credit risk.

After credit assessment and review of the loan applications by the Credit Committee, loan documents will be prepared and the loans will be recommended to the directors of the wholly-owned subsidiaries of the Company which operates the money lending business for final approval.

If the applicable percentage ratios as defined under the GEM Listing Rules in respect of the making of the loan under the loan application would constitute a discloseable transaction of the Company pursuant to Chapter 19 of the GEM Listing Rules, the loan application will be forwarded to the Board and a meeting of the Board will be held to consider and approve the loan application. It is the Group's policy not to make any advance to a borrower if such a proposed loan transaction will constitute a major transaction or above under the GEM Listing Rules.

During the year, the Group used its surplus liquidity to fund the money lending business, loan interest income from this business segment amounted to approximately HK$7,305,000 during the Year (31 December 2016: approximately HK$6,261,000).

FINANCIAL SERVICES BUSINESS

To proactively develop its financial services business, the Group completed the acquisition of the 51% equity interest in Profit Network in 2016. On 24 February 2017, a purchase and sales agreement was entered into with Trinity Worldwide Capital Holding Limited (which is incorporated in the British Virgin Islands with limited liability) ("**Trinity Worldwide**"), 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. Due to completion of the acquisition on 16 June 2017, Profit Network Group has become a wholly-owned subsidiaries of the Group, the financial results of which will thus remain accounted into the consolidated financial statements of the Group.

Profit Network Group is principally engaged in advising on securities and dealing in securities and asset management 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 it is 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 financial services business, which is expected to bring about a positive impact on the operations, financial results and profitability of the Group. During the Year, revenue from external customers of Profit Network Group amounted to approximately HK$13,774,000 (31 December 2016: approximately HK$7,888,000).

The increase in revenue were mainly due to only around 4 months of the operational results of China Demeter Securities Limited, a non-wholly owned subsidiary of the Company ("**CD Securities**") was included in the Group's consolidated result for the year ended 31 December 2016 as CD Securities was acquired by the Group in September 2016 while full year operation results of CD Securities was included in the Group's consolidated result for the Year.

In late June 2017, there was a sharp decline in the share price of certain stocks held by CD Securities as collateral securities for its margin clients ("**June Incident**"). As a result of the June Incident, a number of CD Securities' accounts receivable arising from margin financing business became undercollateralised. Following the June Incident and the deterioration of CD Securities' margin loans during and after the June Incident, CD Securities received a letter from the Securities and Futures Commission ("**SFC**"), wherein the SFC, among other things, had raised concern about certain issues on CD Securities' margin loan operations and requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**Code of Conduct**"). In such connection, the SFC had instructed CD Securities to temporarily refrain from providing further margin lending to its clients and refine its margin financing policy. CD Securities had undertaken to the SFC to address the concerns satisfactorily within a reasonable period of time.

The management of CD Securities is currently working towards addressing such concerns.

Following the launch of the Shanghai and Shenzhen-Hong Kong Stock Connect Program in 2014 and 2016, respectively, it was believed that the financial services industry of Hong Kong would continue to grow. The Group will strengthen its internal control policy and take a prudent approach to develop the securities brokerage and margin financing business to reduce the credit risk from the margin clients.

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. The financial assets at fair value through profit or loss held by the Group were all the shares of listed companies in Hong Kong.

The Directors consider that an investment in listed securities with a carrying value of 5% or more of the net asset value of the Group as at balance sheet date as significant investments ("**Significant Investments**"). As at 31 December 2017, the Group did not hold any Significant Investments. As at 31 December 2016, all the Significant Investments held were securities of listed companies in Hong Kong. The breakdown of Significant Investments held during the Year is set out below:

SIGNIFICANT INVESTMENTS

Name of stock listed on the Stock Exchange (Stock Code)	Brief description of the principal business	Number of shares held as at 31 December 2016	Shareholding percentage of the Group in such investee company as at 31 December 2016	Total investment cost of such investments *HK$'000*	Number of shares held as at 31 December 2017	Loss in change in fair value of such investments during the Year *HK$'000*	Dividend received during the Year *HK$'000*
Town Health International Medical Group Limited (3886)	Provision of healthcare and dental services, managed care business; and beauty and cosmetic medicine business	16,360,000	0.211%	20,416	–	(285)	–
China e-Wallet Payment Group Limited (802)	Trading of securities and biometric identification products, radio frequency identification products and solution services, internet and mobile applications and related services and commodities trading	41,200,000	1.758%	10,670	–	(22,079)	–
AMCO United Holding Limited (630)	Engaged in manufacture and sale of medical devices products, manufacture and sale of plastic moulding products, provision of public relations services and provision of human resources management services	35,865,000	1.925%	26,190 *(Note)*	5,000	(24,359)	–
Convoy Global Holdings Limited (1019)	Engaged in the independent financial advisory business, money lending business, proprietary investment business, asset management business, corporate finance business and securities dealing business	184,252,768	1.233%	57,215	6,768	(2,311)	–
First Credit Finance Group Limited (8215)	Engaged in money lending and securities trading business	8,170	0.000%	46,734 *(Note)*	8,170	(36,912)	204
Others						(1,560)	–
						(87,506)	204

Note: The total investment cost of such investments also included the investment cost incurred by the Group during the Year.

Town Health International Medical Group Limited ("Town Health")

As at 1 January 2017, the Group held 16,360,000 shares in the issued share capital of Town Health which amounted to an aggregate carrying amount of approximately HK$20,450,000. During the Year, the Group did not purchase any shares in Town Health but disposed of all the shares held on market at the aggregate consideration of approximately HK$20,165,000. No dividend was received by the Group from Town Health during the Year. The Group recorded a fair value loss of approximately HK$285,000 for its investment in Town Health during the Year. As at 31 December 2017, the Group did not hold any shares in issued share capital of Town Health.

China e-Wallet Payment Group Limited ("China e-Wallet")

As at 1 January 2017, the Group held 41,200,000 shares in the issued share capital of China e-Wallet which amounted to an aggregate carrying amount of approximately HK$26,780,000. During the Year, the Group did not purchase any shares in China e-Wallet but disposed of all the shares held on market at the aggregate consideration of approximately HK$4,701,000. No dividend was received by the Group from China e-Wallet during the Year. The Group recorded a fair value loss of approximately HK$22,079,000 for its investment in China e-Wallet during the Year. As at 31 December 2017, the Group did not hold any shares in issued share capital of China e-Wallet.

AMCO United Holding Limited ("AMCO")

As at 1 January 2017, the Group held 35,865,000 shares in the issued share capital of AMCO which amounted to an aggregate carrying amount of approximately HK$21,160,000. During the Year, the Group purchased 10,000,000 shares of AMCO in the aggregate amount of approximately HK$6,200,000 and disposed of the aggregate of 45,860,000 shares of AMCO on market at the aggregate consideration of approximately HK$3,001,000. No dividend was received by the Group from AMCO during the Year. The Group recorded a fair value loss of approximately HK$24,359,000 for its investment in AMCO during the Year. As at 31 December 2017, the Group held 5,000 shares of AMCO.

Convoy Global Holdings Limited ("Convoy")

As at 1 January 2017, the Group held 184,252,768 shares in the issued share capital of Convoy which amounted to an aggregate carrying amount of approximately HK$42,562,000. During the Year, the Group did not purchase any shares in Convoy but disposed of the aggregate of 184,246,000 shares of Convoy on market at the aggregate consideration of approximately HK$40,250,000. No dividend was received by the Group from Convoy during the Year. The Group recorded a fair value loss of approximately HK$2,311,000 for its investment in Convoy during the Year. As at 31 December 2017, the Group held 6,768 shares of Convoy.

First Credit Finance Group Limited ("First Credit")

As at 1 January 2017, the Group held 8,170 shares in the issued share capital of First Credit which amounted to an aggregate carrying amount of approximately HK$4,000. During the Year, the Group purchased 101,900,000 shares of First Credit in the aggregate amount of approximately HK$46,731,000 and disposed of the aggregate of 101,900,000 shares of First Credit on market at the aggregate consideration of approximately HK$9,822,000. The Group received a dividend of approximately HK$204,000 for its shares held in First Credit during the Year. The Group recorded a fair value loss of approximately HK$36,912,000 for its investment in First Credit during the Year. As at 31 December 2017, the Group held 8,170 shares of First Credit.

During the Year, the Group disposed of certain securities investments and recorded a loss from financial assets through profit or loss of approximately HK$87,506,000 (31 December 2016: a profit of approximately HK$218,000). The decrease was mainly due to the fluctuations in the Hong Kong stock market and a slowdown in the global economy during the Year.

FOOD AND BEVERAGE BUSINESS

During the Year, the Group recorded income of approximately HK$3,584,000 (31 December 2016: approximately HK$6,545,000) in the provision of food and beverage service. During the Year, the food and beverage business of the Group recorded segment loss due to the rising costs of the food and salary. On 31 January 2018, Rich Sheen International Limited, ("**Rich Sheen**"), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company, and Mr. Li Ho Kwong ("**Mr. Li**"), a substantial shareholder and director of Treasure Easy Limited, entered into the sale and purchase agreement, pursuant to which, Rich Sheen agreed to sell and Mr. Li agreed to acquire (i) the sale shares, representing 51% of the issued share capital of Treasure Easy Limited, and (ii) the sale loan, representing the entire shareholder's loan owing by Treasure Easy Limited to Rich Sheen as at completion date, at an aggregate cash consideration of HK$20,000. Immediately before the completion of the transaction, Treasure Easy Limited, which is a limited liability company established in Hong Kong and is principally engaged in provision of food and beverage service in Hong Kong, is owned as to 51% by Rich Sheen. Since then, Treasure Easy Limited has ceased to be a subsidiary of the Company. For details, please refer to the announcement dated 31 January 2018.

INVESTMENTS IN A JOINT VENTURE

The joint venture is currently engaged in investing in the business of operating restaurants, cafes and takeaway outlets in Singapore. During the Year, the Group recorded the share of loss of a joint venture of approximately HK$759,000 (31 December 2016: approximately HK$11,897,000). The decrease in loss was mainly attributable to the improved financial performance due to the cost control measures adopted to increase the operating efficiency. 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.

PROSPECT

Looking forward, the global economic recovery will continue. The Group will continue to actively explore new business and performance growth opportunities and identify various investment projects to diversify the business portfolio of the Company. The acquisition of the equity interest in Profit Network Group will enable the Group to consolidate its position in the financial services industry and achieve strong development momentum in advising on securities by leveraging on its own strengths 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. In view of the increasingly attractive investment environment in Hong Kong, it is believed that the Group's financial services business will expand the Group's revenue stream in the future.

The Group will carefully review the development in all segments, and will allocate more resources to any business with sustainability and growth potential. The Board believes that the Group's operating strategies and diversified businesses will help to boost performances and consolidate the Group's market position, thus improving higher returns for our shareholders.

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 an independent third party 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 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.

On 24 February 2017, Golden Harvest Holdings Limited 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 ("**Consideration**"). Following completion of acquisition on 16 June 2017, Profit Network became a wholly owned subsidiary of the Company and the financial results of the Profit Network continue to be consolidated into the consolidated financial statements of the Company.

The Consideration was 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 before the date 16 June 2017 and redesignated to a non-executive director since then. 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.

On 14 November 2017, Eternal Speed International Limited ("**Eternal Speed**", an indirect wholly-owned subsidiary of the Company) and BLVD Cayman Limited ("**BLVD**") entered into the subscription agreement, pursuant to which Eternal Speed has conditionally agreed to subscribe for shares issued by BLVD, representing 50% of the enlarged issued share capital of BLVD, at the subscription price of HK$12 million. BLVD is principally engaged in the business of operating restaurants, cafes and takeaway outlets in Singapore and is operating six outlets. It is the Group's strategy to invest further in the restaurant business and expand into food and beverage services, and the subscription will provide opportunities to the Group in the food and beverage segment. Upon Closing, Eternal Speed will hold 75% of the enlarged issued share capital of the BLVD and BLVD will become a subsidiary of the Company.

On 15 January 2018, as the BLVD is unlikely to obtain the approval of all its shareholders to terminate the existing shareholders' agreement, Eternal Speed and the BLVD entered into a deed of termination ("**Deed of Termination**"), pursuant to which, the parties have agreed to terminate the subscription agreement and the subscription with immediate effect and confirmed neither party had any claim against the other party in connection with such termination. Upon the execution of the Deed of Termination, Eternal Speed and BLVD also entered into a loan agreement to formalise the advance of a shareholder's loan in the principal amount of HK$4 million by Eternal Speed to BLVD (being the deposit paid under the subscription agreement) with effect from 15 January 2018, being the date of the Deed of Termination. The termination of the subscription agreement will not have any material adverse impact on the existing business, operation or financial condition of the Group. As a result of the termination of the subscription, the Group will continue to hold 50% of the equity interest in the BLVD and to account the BLVD as a joint venture.

Saved as disclosed above, the Company does not have any significant acquisition and disposal during the Year.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$94,293,000 (2016: approximately HK$73,971,000) and net current assets of approximately HK$225,898,000 (2016: approximately HK$307,823,000). Current ratio (defined as total current assets divided by total current liabilities) was 6.95 times (2016: 3.88 times).

The Group did not have any borrowings as at 31 December 2017. As at 31 December 2016, the Group have bank and other borrowings of HK$25,470,000 comprising other borrowing of HK$25,000,000 and bank borrowing of HK$470,000. The other borrowing is secured by corporate guarantee executed by the Company. The bank borrowing is secured by personal guarantee executed by the director of a subsidiary of the Company. The bank and other borrowings bore interest at prevailing market rates and repayable in accordance with the relevant loan agreements.

We fund our operations principally from cash generated from our operations, other debt instruments and equity financing from investors. Our cash requirements relate primarily to production and operating activities, business and asset acquisitions, repayment of liabilities as they become due, capital expenditures and any unexpected cash requirements. During the Year, our loss before interest, taxes, depreciation and amortisation amounted to approximately HK$94,530,000.

The Group's gearing ratio, which is calculated on the basis of the Group's total liabilities to the total assets, as at 31 December 2017 was 12% (2016: 21%).

CAPITAL STRUCTURE AND FUND RAISING ACTIVITIES

As at 31 December 2017, the Group had equity attributable to owners of the Company of approximately HK$277,735,000 (2016: approximately HK$361,420,000).

Issue of shares under the general mandate

On 22 November 2016, the Company and Fordjoy Securities and Futures Limited ("**Fordjoy**") entered into a placing agreement pursuant to which Fordjoy has agreed to place, on a best endeavour basis, up to 118,340,000 placing shares, to not less than six placees who and whose ultimate beneficial owners are independent third parties at a placing price of HK$0.10 per placing share (which represented a discount of approximately 8.26% to the closing price of HK0.109 per share as quoted on the Stock Exchange on 22 November 2016). The net price per placing share was approximately HK$0.095. As disclosed in the announcement of the Company dated 2 December 2016, completion of the placing took place on 2 December 2016 in accordance with the terms of the placing agreement. The Company received net proceeds of approximately HK$11,300,000, which will be used as to develop the financial services business of the Group.

On 31 March 2017, the Company and Astrum Capital Management Limited ("**Astrum**") entered into a placing agreement, pursuant to which Astrum 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 (which represented a discount of approximately 9.09% to the closing price of HK$0.11 per share as quoted on the Stock Exchange on 31 March 2017) to not less than six placees under general mandate. The net price per placing share was approximately HK$0.096. 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 was used for partial payment of the acquisition of the remaining 49% of the issued shares of Profit Network.

Date of announcement/ prospectus	Fund raising activity	Net proceeds raised (approximately)	Intended use of the net proceeds	Actual use of the net proceeds as at 31 December 2017
22 November 2016, and 2 December 2016	Placing of 118,340,000 new shares at the placing price of HK$0.10 per Share under general mandate.	HK$11.3 million	As to approximately HK$11.3 million for developing the financial services business of the Group.	Used as intended.
31 March 2017, 7 April 2017 and 21 April 2017	Placing of 153,800,000 new shares at the placing price of HK$0.1 per Share under general mandate.	HK$14.7 million	As to approximately HK$14.7 million for developing the financial services business of the Group.	Used as intended.

FOREIGN EXCHANGE AND INTEREST RATE EXPOSURE

For the year ended 31 December 2017, most of the Group's business transactions, assets and liabilities were principally denominated in Hong Kong dollars ("**HK$**"), Renminbi ("**RMB**"), Singapore dollars ("**S$**"), United States dollars ("**US$**") and HK$ is the Group's presentation currency. The Group is exposed to potential foreign exchange risk as a result of fluctuation of RMB, S$ and US$ against HK$. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider using hedging instruments in respect of significant foreign currency exposure should the need arise.

When appropriate and at times of interest rate or exchange rate uncertainties or volatility, hedging instruments including swaps and forwards will be used by the Group in the management of exposure affecting interest rates and foreign exchange rate fluctuations.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any contingent liabilities (2016: Nil).

CHARGES OF GROUP ASSETS

As at 31 December 2017, the Group did not have any charges of group assets. (2016: the Group had outstanding borrowings of HK$25,470,000 comprising other borrowing of HK$25,000,000, which is secured by corporate guarantee executed by the Company and bank borrowing of HK$470,000, which is secured by personal guarantee executed by the director of a subsidiary of the Company.)

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2017, the Group had approximately 55 employees in Hong Kong and the PRC (excluding directors of the Company) (2016: 62). The Group's remuneration policy is to provide competitive level of remuneration to employees and directors based on their performance, qualification, experience and the prevailing industry practice.

Apart from regular remuneration, discretionary bonus and share options may be granted to eligible staff by reference to the Group's performance as well as individual's performance.

We aim to provide employees with resources and an environment that encourages them to develop careers with us. We provide management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge.

Pursuant to the share option scheme adopted by the Company on 30 September 2013 (the "**Share Option Scheme**"), the Board may grant options to eligible persons, including employees and directors, to subscribe for shares of the Company. During the year, the Company granted 76,900,000 and 70,660,000 share options to directors, employees and other eligible persons on 7 April 2017 and 21 November 2017 respectively.

ENVIRONMENT

The Group is subject to laws and regulations in the PRC in which is engaged in feedstock production. The Group has established environment policies and procedures aimed at compliance with local environmental and other laws. For the feedstock production, we have complied with the "Regulations on Administration of Feed and Feed Additives", and the "Measures for the Management of Production Licenses for Feeds and Feed Additives". During the year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and Greenhouse Gas ("**GHG**") emissions, discharges into water and land, or generation of hazardous and non-hazardous waste. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage these risks.

EVENT AFTER THE REPORTING PERIOD

On 31 January 2018, Rich Sheen, and Mr. Li, a substantial shareholder and director of Treasure Easy Limited ("**Treasure Easy**") entered into the sale and purchase agreement, pursuant to which Rich Sheen agreed to sell the sale shares, representing 51% of the issued share capital of Treasure Easy, and the sale loan, representing the entire shareholder's loan owing by Treasure Easy to Rich Sheen as at 31 January 2018, at an aggregate cash consideration of HK$20,000.

Treasure Easy is principally engaged in the business of operating a Japanese restaurant in Hong Kong. Rich Sheen acquired its 51% shareholding in Treasure Easy and a shareholder's loan owing by Treasure Easy in April 2015 at the consideration of HK$1,275,000. The performance of Treasure Easy has been deteriorating since the year ended 31 December 2016 and made losses for that year and for the 11 months ended 30 November 2017. In light of the unsatisfactory financial performance of Treasure Easy over the past financial years, the unaudited net liabilities of Treasure Easy of approximately HK$2.8 million as at 30 November 2017, and thus its inability to repay the sale loan to the Group in full, and the possibility of the need to make further investment in Treasure Easy upon request by other shareholders, the management of the Group is of the view that despite Treasure Easy was disposed at a loss, it was nevertheless a reasonable decision made under the current circumstances.

Upon completion, Treasure Easy has ceased to be a subsidiary of the Company. The aggregate Consideration for the sale shares and the sale loan is HK$20,000 and has been settled by Mr. Li in cash upon completion.

On 9 February 2018, Eternal Code Holdings Limited ("**Eternal Code**"), as the purchaser, a company incorporated in Hong Kong which its principal activity is distribution of imported craft beer in Hong Kong and the PRC, as the seller, the ultimate beneficial owners of the sale shares, representing the entire issued share capital of the target company, and the directors of the target company, as the guarantors, entered into the Memorandum of Understanding ("**MOU**") in relation to the proposed acquisition of (i) the sale shares; and (ii) the sale debts, representing the entire shareholder's loan owing by the target company to the seller as at completion. A refundable earnest money of HK$4 million was paid by Eternal Code to the seller upon terms and conditions of the MOU. It is expected that the aggregate consideration for the sale shares and sale debts will be in the range of HK$20 million to HK28 million. Such amount has not been agreed amongst the parties.

The target company is a company incorporated in Hong Kong with limited liability, which is legally and beneficially wholly owned by the seller. Its principal activity is distribution of imported craft beer in Hong Kong and the PRC.

The MOU is intended to record mutual intentions between the parties and contains certain legally binding obligations regarding, amongst others, the payment and refund of the earnest money, exclusivity and confidentiality. However, other terms contained in the MOU, in particular, the amount of the consideration, are not legally binding. The terms of the formal agreement for the proposed acquisition have yet to be agreed upon by all parties.

Environmental, Social and Governance Report

ABOUT THIS REPORT

China Demeter Financial Investments Limited (the "**Company**", together with its subsidiaries, the "**Group**") reaffirms its commitment towards sustainability with the publication of its second Environmental, Social and Governance ("**ESG**") Report 2017. This report is prepared in compliance with the "comply or explain" provisions set out in the ESG Reporting Guide shown in Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

FEEDBACK

If you have any thoughts or comments on how we could improve in the future, please send us your feedback at: info@chinademeter.com

REPORTING PERIOD AND SCOPE

This is the second ESG report of the Company, covering ESG performance from 1st January 2017 to 31st December 2017. This report supplements our annual report and includes data and information from the Hong Kong head office and the agricultural segment operating in Long Yan City ("**Long Yan**") of the People Republic of China ("**PRC**").

Operating in money lending, financial services and securities investment businesses in Hong Kong, the Group is principally concerned with the environmental impact caused by our agricultural segment activities. The purpose of this report is to communicate the Company's social and environmental performance with all key stakeholder groups. By adopting a holistic approach in quality control, supply chain management and epidemic prevention, we have taken necessary measures at our feedstock production site to reduce and manage air pollutants and water efficiency.

1. ENVIRONMENTAL MANAGEMENT

The Company is striving to minimize the environmental impacts in the business operation processes. During the feedstock production process, a boiler, using wood as the primary source of fuel, generates steam to moisturize fodder before mixing them, consumes the largest proportion of the operation's total energy use. To reduce environmental impacts of the smoke and wastewater produced during the process, we have installed a smoke and dust treatment facility and a sewage facility at our production site.

For our money lending, financial services and securities investment businesses, energy consumption is mainly lighting and air-conditioning. We have been continuously working to reduce unnecessary use of air-conditioning and lighting to mitigate the environmental impacts of our business operations.

In 2017, we are not aware of any material non-compliance of laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

Waste reduction

- Promote printer cartridge and paper recycling
- Installed solid waste separation and collection facilities

Wastewater treatment

- Water in the boiler and steam water are recycled and reused
- Installed sewage treatment facility
- Used water goes through a biological treatment process in the septic tanks to produce environmentally safe treated wastewater
- Installed automated water taps to prevent waste of water

Pollutants reduction

- Installed dust collectors in smashing machines
- Installed smoke and dust treatment facility
- Installed air purifier to improve indoor air quality

Energy saving

- Reduce unnecessary use of air conditioning and lighting
- Maintain room temperature of 25.5 degrees Celsius
- Set up a dedicated team to coordinate energy management across the company

Environmental, Social and Governance Report

Our environmental policy is to minimize the impacts on the environment, to encourage our staff at all levels to practice this value and offer rewards to those departments that meet our requirement or make constructive contributions. In 2017, we took various measures in areas such as greenhouse gas reduction, water saving and air quality improvement. Below are the highlights of our actions undertaken throughout the year to safeguard the environment.

The Company is committed to the continuous improvement of its environmental performance, striving to mitigate its carbon footprint through adopting various environment-friendly approaches in the office and in the supply chain.

For the feedstock production, we have complied with the "Regulations on Administration of Feed and Feed Additives", and the "Measures for the Management of Production Licenses for Feeds and Feed Additives". During the year, the Group was not aware of any non-compliance of laws and regulations that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, or generation of hazardous and non-hazardous waste.

For our money lending, financial services and securities investment businesses, we implemented various green measures to save energy and reduce our carbon footprints such as using more energy efficient electric appliances. Appropriate environmental measures have been adopted in each and every business unit of our company.

Resources Consumption

In 2017, the direct energy consumption from the use of electricity was mainly consumed from Long Yan and office in Hong Kong, recording 627,972 kWh and 152,301 kWh respectively. In addition, the combined use of gasoline from the Company's vehicles in Long Yan was 13,400 litres.

The water consumption in Long Yan for the year ending on 31 December 2017 was approximately 4,056m^3. The water consumption in Hong Kong office was 1,480m^3.

Type of Resources	Unit	2017
Electricity	kWh	780,273
Gasoline	Litres	13,400
Water	m^3	5,536
Package material	tonne	271

The total packaging material used for finished products was 271 tonnes.

Emissions

The Company generates carbon emissions directly from the consumption of gasoline by vehicles in Long Yan. The indirect emissions are due to purchased electricity in Long Yan and Hong Kong office. In 2017, total carbon emissions were 562.35 tonnes. The SO_2 and NOx emissions from company's boiler were 10.7 mg/m^3 and 11.73 mg/m^3, respectively.

Type of Emission	Unit	2017
Direct (Scope 1) Carbon Emission	t/CO_2e	0.035
Indirect (Scope 2) Carbon Emission	t/CO_2e	562
Sulphur Dioxide (SO_2)	mg/m^3	10.7
Nitrogen Oxides (NO_x)	mg/m^3	11.73

We conform to the pollutant control standards from the Wu Ping Environmental Protection Bureau. After the treatment process of the boiler, the emission of smoke and dust and SO_2 was able to meet the emissions standard.

Energy Management

The Company constructed a management guideline in accordance with the relevant PRC energy policy and energy management standards and requirements, covering the use of energy, measurement of energy usage and performance indicators. This guideline provides our employees with a comprehensive view of our company's energy management system.

In order to ensure a successful energy management system can be implemented. The system consists of a four-layer structure, including 1) company level, 2) department level, 3) workshop level and 4) team level. The team comprises of senior management from each department. In which they coordinate and manage the Company's energy management system. The data of energy usage are regularly collected in each department, analyzed and proposed to relevant developed plans to reduce energy use.

Green Office

The Company's operation in Hong Kong is primarily office-based. A greener office contributes to a better environment and also reduces operational costs. Thus, we strive to promote the concept of energy-saving, resources conservation and pollution minimization in our office. The Company's Hong Kong office consists of waste, water and pollutant reduction as well as energy saving initiatives to enhance environmental performance of the overall operations on money lending, financial services and securities investment businesses. Such initiatives include: promoting printer cartridge and paper recycling, installing automated water taps to prevent waste of water, installing air purifier and maintaining room temperature of 25.5 degrees Celsius.

2. OUR PEOPLE

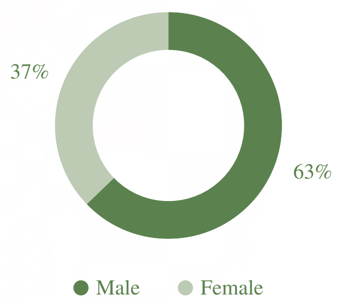
Being an equal employment opportunity employer, the Company proposes a fair, open and transparent recruitment process. We do not discriminate against a person because of race, religion, sex, ethnic origin, disability, family status or age. The Company has established a standard procedure in confirming the identity of new employees to avoid the recruitment of child labor, complying with relevant labor laws and regulations, including but not limited to Labor Law and Labor Contract Law of PRC, Provisions on the Prohibition of Using Child Labor, Employment Ordinance, and Employees' Compensation Ordinance and Minimum Wage Ordinance.

In 2017, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to employment and labor practices, nor did we identify any incidents relating to the use of child or forced labor.

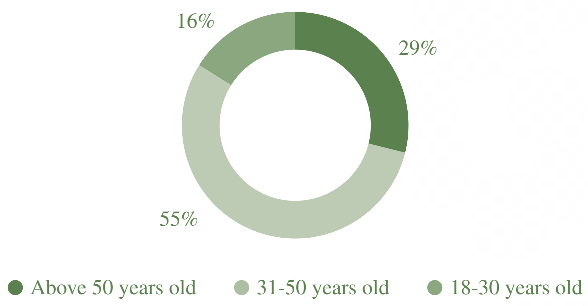
Employment Practice

As of the end of 2017, 62 employees including directors (excluding 8 employees from Treasure Easy, which ceased to operate on 30 November 2017) were employed in the Group, including both Hong Kong and China.

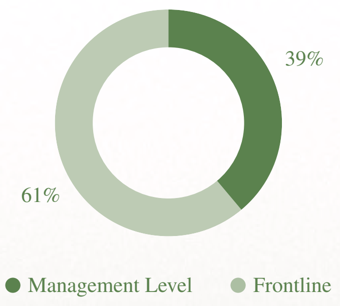
Gender Distribution



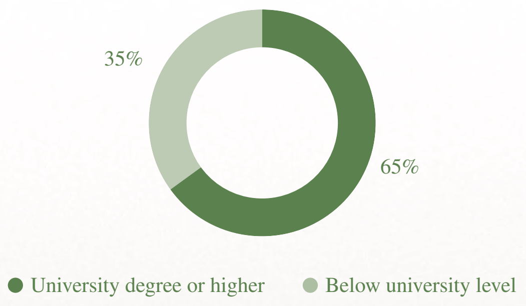
Age Distribution



Employees' Categories



Employees' Qualifications



Among our employees, 37% are female and 63% are male; 65% of them hold a university degree or higher qualification. In 2017, the turnover rate for the Hong Kong office was 15.9%, whereas the new hire rate was 17.5%.

Employees Welfare

We care about the wellbeing of our employees. thus, we provide holidays such as marriage leave, bereavement leave and maternity leave as per the labor laws. We also provide different kinds of insurances, including the endowment insurance, medical insurance, occupational injury insurance, as well as Mandatory Provident Fund retirement benefits scheme for Hong Kong employees and central pension scheme for PRC employees. Furthermore, to enhance employee morale, we take a step further and organize birthday celebration meals and cultural activities. In addition, all the labor supplies including uniforms, mask and gloves are distributed to each of the employees centrally.

Prevention of Child Labor or Forced Labor

As a responsible corporate citizen, we do not employ child labor or forced labor. We strictly comply with the PRC's "Provisions on the Prohibition of Using Child Labor". We have set up a standard procedure in confirming the identity of the new employee to ensure there is no child labor or forced labor. In 2017, there is no child labor or forced labor in our company.

A system is set up for dealing with child labour incidents. In case a child is employed, we would bring the child back home safely, in order to protect their rights. If the child does not have a family, we would provide economic subsidy for the child to continue receiving education. When the child reaches 16 years old, we would provide a job if he or she wishes so. In addition, we would report to the local labour and enforcement and find a solution that meets the child's interest.

Occupational Health and Safety

Occupational health and safety of our employees is of paramount importance to the Company. Efforts have been continuously made to improve our operations so that employees stay vigilant and well trained regarding safety issues. Regular inspections on ventilation systems and office facilities are conducted to maintain a safe and healthy workplace for our employees.

To strive for zero accidents on a yearly-basis, we implement safety measures such as distribution of personal protective gears to all of our frontline employees and providing regular health checks to staff who are exposed to hazardous working environments. The Company has complied with the "Law of PRC on the Prevention and Control of Occupational Diseases". During the year, we were not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to occupational health and safety.

Safety Training

In addition to creating a safe environment in the Company, it is important to raise the awareness of occupational health and safety for our employees. At Long Yan, the total hours for safety training reached 527 hours, including 201 hours for management staff and 326 hours for front-line staff respectively, with a participation rate of 100%. Furthermore, to make sure our employees to have sufficient knowledge on safety systems during the operation, safety training is provided to all the employees on a regular basis. Newly employed staff, foreign workers and staff who leave the job post for more than 6 months are equipped with knowledge from an introduction course. Special equipment must be tested and obtain a safety license before being put into use.

To ensure the safety of employees during fire incidents and in accordance with the target set in the safety management, Long Yan successfully organised a fire safety drill during the year. The exercise has enhanced the awareness and knowledge for staff through teaching the proper usage of fire distinguisher equipment.

Training and Development

It is vital to ensure that our production procedures are well implemented by providing training to staff at different stages of their employment. An employee training plan was scheduled from the beginning of the year to ensure they are well-supported and competent enough to handle the changing environment and help the Company achieve its desired outcomes.

Pre-service training

- Training for newly employed staff, foreign workers and staff who leave the job post for more than 6 months
- Training contents include safety and health regulations, company rules and job duties
- Organized by health and safety department together with other departments

On-the-job training

- Employee practice and research to improve their skills
- Training contents include new professional skills

Professional training

- Depends on need
- Selected employees will be sent to relevant training institutes
- Invite professionals to the Company and hold seminars for the employees

3. OPERATING PRACTICES

Product Responsibility

Measures are taken with a series of quality control in the feedstock production line to ensure product safety. Fodder catalogs are given to staff to guide what ingredients are allowed to be put in the fodder. Ingredients that are harmful to animals are strictly prohibited and the changing or use of fodder formula must be approved by relevant departments.

We closely monitor the production process to ensure everything meets regulatory standards. Our products are clearly labeled in accordance with "the PRC Feed Label Standard", satisfying the GB10648-2013 standard requirement. All the fodder labels were stored and kept in accordance with the "Administrative Provisions on Feed Quality Safety" requirement. Our certified assurance inspectors are responsible for conducting regular site inspections and product testing to ensure all products are safe. In 2017, we were not aware of any non-compliance that have a significant impact on the Group concerning health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.

Supply Chain Management

In 2017, 13 suppliers are located in the PRC for our Long Yan feedstock facility. Every year, suppliers are evaluated and graded by their product quality, technologies and financial status. Suppliers that are not able to meet the Company's standard will be taken out from our supplier's list. For new suppliers, regulations have to be followed, in order to standardize our development process. Discounts, technologies and investment will be offered to suppliers with excellent performance.

Supply Chain Management	• Evaluate and conduct investigation on suppliers • Keep record on qualifed suppliers
Production Process	• Perform regular tests on materials and record the results • Quality inspection monitoring system • Strictly monitor the production process
Sales of Product	• Handle customers' complaints and product recall objectively • Provide regular sales training to staff for customer service

Operation Process Control

To ensure the quality of the fodder, regulations are complied during the production process with measures such as taking records in control and package operation with labeling system to ensure no error exists. With self-inspection and internal records for internal verification, the entire production process is standardized, so that records can be easily traced back.

Anti-Corruption

The Company strictly prohibits all staff from soliciting and accepting any form of advantage and receiving gifts from third parties that are likely to cause a conflict of interests. We have implemented a bribery prevention management guideline and provided training to employees about anti-money laundering. In 2017, we were not aware of any breach of laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.

4. COMMUNITY INVOLVEMENT

Striving to be a socially responsible corporation, the Company recognizes the importance of donation to charitable organizations, as well as encouraging employees to join volunteering activities. In 2017, the Group donated HK$163,000 to Po Leung Kuk and HK$25,000 to Yan Oi Tong, supporting the missions of protecting the young and the innocent as well as caring for the elderly.

We encourage our employees to participate in community activities. During the year, they joined in a volunteering activity organized by Egive For You Charity Foundation, bringing joy to the underprivileged.

5. ESG CONTENT INDEX

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A1	**Emissions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Management– Our policy and compliance
KPI A1.1	The types of emissions and respective emissions data.	Environmental Management– Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Management– Emission
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Management– Emission
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Management– Emission
KPI A1.5	Description of measures to mitigate emissions and results achieved	Environmental Management– Emission
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Environmental Management– Our policy and compliance

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
A. Environmental		
Aspect A2	**Use of Resources**	
General disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Management– Resources consumption
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Environmental Management– Resources consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Management– Resources consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Environmental Management– Our policy and compliance
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Environmental Management– Our policy and compliance
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Management– Resources consumption
Aspect A3	**The Environment and Natural Resources**	
General disclosure	Policies on minimizing the issuers' significant impact on the environment and natural resources.	Environmental Management– Our policy and compliance
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Management– Our policy and compliance

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B1	**Working Conditions**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity and other benefits and welfare.	Our People– Employment welfare and staff protection policy
KPI B1.1	Total workforce by employment type, age group and geographical region.	Our People– Employment Practice
KPI B1.2	Employee turnover rate by age group and geographical region.	Our People– Employment Practice
Aspect B2	**Health and Safety**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our People– Occupational health and safety
KPI B2.1	Fatality number and rate.	Zero fatality

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B2	**Health and Safety**	
KPI B2.2	Lost days due to work injury.	No workplace injury reported in 2017
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Our People– Occupational health and safety
Aspect B3	**Development and Training**	
General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work.	Our People– Training and Development
KPI B3.1	Description of training activities provided and if relevant, the percentage of employees trained by employee category	Our People– Safety and health knowledge training
KPI B3.2	The average training hours completed per employee by employee category.	Our People– Training and Development
Aspect B4	**Labour Standards**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child or forced labour.	Our People– Employees welfare and staff protection policy
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our People– Employees welfare and staff protection policy

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B4	**Labour Standards**	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our People– Employees welfare and staff protection policy
Aspect B5	**Supply Chain Management**	
General disclosure	Policies on managing environmental and social risks of the supply chain	Operating practice– Operation process control
KPI B5.1	Number of suppliers by geographical region.	Operating practice– Managing our supply chain
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	–
Aspect B6	**Product Responsibility**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Operating practice– Quality assurance and product safety
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–
KPI B6.2	Number of products and service related complaints received and how they are dealt with	No related complaints

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B6	**Product Responsibility**	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	–
KPI B6.4	Description of quality assurance process and recall procedures	Operating practice– Quality assurance and product safety
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	–
Aspect B7	**Anti-Corruption**	
General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption policies and training
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No concluded case in 2017
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	–

KPIs	HKEx ESG Reporting Guide Requirements	Section/Remarks
B. Social		
Aspect B8	**Community Investment**	
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Invest in our community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Target charitable organisation
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Invest in our community

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

*Mr. Zhou Jing (“**Mr. Zhou**”)*, aged 59, is the chairman of the Board of the Company. Mr. Zhou joined the Group in May 2013 as the general manager of the Company and is also a director of subsidiaries of the Company. Mr. Zhou obtained a Bachelor of Engineering from Wuhan Institute of Building Materials (武漢建築材料工業學院, now known as Wuhan University of Technology) in December 1982 and subsequently obtained a Master of Technology degree from Wuhan University of Technology in July 1987. Thereafter Mr. Zhou had worked in various departments in the Central People’s Government, the PRC between 1987 to 1994. Mr. Zhou had served as a factory manager, vice general manager and general manager in various state-owned enterprises in the PRC from May 1994 to August 2004. Between August 2004 to April 2013, Mr. Zhou held various positions in 北京中恒泰投資有限公司 (China Zhong Heng Tai Investment Company Limited), a company established with the approval of the National Development and Reform Commission of the PRC（中華人民共和國國家發展改革委員會）and from February 2006 to April 2013, Mr. Zhou held a concurrent post of general manager of China Zhong Heng Tai Investment (Suriname) N.V.（中國中恒泰投資（蘇里南）有限公司）, a company established by China Zhong Heng Tai Investment Company Limited, in Suriname. Mr. Zhou has more than 10 years’ experience in cultivation, processing technology research and investment management in the field of agriculture and forestry. Mr. Zhou was an independent non-executive director of Sino Vision Worldwide Holdings Limited (formerly known as DX.com Holdings Limited) (Stock Code: 8086) (“**Sino Vision**”) from September 2016 to Aug 2017. Mr. Zhou was also an independent non-executive director of Tech Pro Technology Development Limited (“**Tech Pro**”) (Stock Code: 3823) from March 2017 to September 2017. Sino Vision and Tech Pro are listed on GEM and Main Board of the Stock Exchange respectively.

Mr. Ng Man Chun Paul, aged 46, was appointed as an executive director and the chief executive officer (“**CEO**”) of the Company with effect from 15 November 2016. He obtained a bachelor of science degree from Columbia University, New York, the United States of America in May, 1993. Prior to joining the Group, he has worked in various international investment banks and securities firms and is experienced in the area of finance and investments. He is (i) a cousin of Mr. Ng Ting Ho, a non-executive Director; and (ii) a cousin of Mr. Ng Ting Kit, a substantial shareholder of the Company. Mr. Ng Ting Kit is the elder brother of Mr. Ng Ting Ho.

*Mr. Lam Chun Kei (“**Mr. Lam**”)*, aged 42, is the authorised representative and process agent of the Company. He is also a director of the subsidiaries of the Company. Mr. Lam holds a bachelor degree in Accountancy from the City University of Hong Kong. He is a member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Lam has over 19 years of experience in accounting, auditing and financial management and previously worked in an international accounting firm and listed groups.

NON-EXECUTIVE DIRECTOR

*Mr. Ng Ting Ho (“**Mr. Ng**”)*, aged 33, was redesignated from an executive Director to a non-executive Director with effect from 16 June 2017. He is experienced in banking and finance, and previously worked in various banks and financial institutions. He is also a director of the subsidiaries of the Company. Mr. Ng obtained his Bachelor of Commerce in Finance and Financial Economics Degree from the University of New South Wales in 2008. Thereafter, Mr. Ng further completed his Master of Science in Financial Mathematics Degree from the Cass Business School of the City University in London in 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

*Mr. Chan Hin Hang (“**Mr. Chan**”)*, aged 31, was appointed as an independent non-executive Director with effect from 13 November 2017. He is also the chairman of the remuneration committee and the audit committee. Mr. Chan has over 7 years of accounting experience. He worked at Deloitte Touche Tohmatsu from September 2010 to June 2015 and is a member of CPA Australia. He obtained a Bachelor Degree in Business (Banking and Finance) from the Queensland University of Technology in 2009. Currently, he also serves as an independent non-executive director of Millennium Pacific Group Holdings Limited (stock code: 8147) which is listed on GEM of the Stock Exchange.

*Mr. Yum Edward Liang Hsien (“**Mr. Yum**”)*, aged 40, was appointed as an independent non-executive Director with effect from 13 November 2017. He is also the chairman of the nomination committee of the Company and a member of the audit committee and the remuneration committee. Mr. Yum has more than 9 years of management experience in the corporate and financial industry. He has served as a director in several financial institutions from 2008 to present. Currently, he serves as a managing director of Ayasa Globo Financial Services Limited, an affiliated company of Globo Consulting Group, principally engaged in providing financial services and as a director of Greenpro Trust Limited, a company principally engaged in providing a full range of trust services. Mr. Yum graduated with a Bachelor of Science in Finance degree from the University of Illinois at Urbana-Champaign in 2001.

*Mr. Hung Kenneth (“**Mr. Hung**”)*, aged 47, is a member of the audit committee, nomination committee and remuneration committee. He holds a degree of bachelor of science awarded by Woodbury University in June 1995. Mr. Hung has extensive experience in the entertainment industry. From March 2008 to September 2010, Mr. Hung was the China business development director for Golden Sun Films Distribution Ltd. From October 2010 to June 2012, Mr. Hung was the chief operation officer for Top Action Culture Development Co. Ltd. From July 2012 to October 2013. Mr. Hung was the business development director for Star Alliance Movies (Beijing) Co., Ltd. Mr. Hung was the chairman of Sino Vision from September 2016 to May 2017 and an executive director of Sino Vision from May 2017 to November 2017. Mr. Hung is an executive director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) and an independent non-executive director of IR Resources Limited (Stock Code: 8186), all of which are companies listed on GEM of the Stock Exchange.

SENIOR MANAGEMENT

*Ms. Chan Lai Ping ("**Ms. Chan**"),* the company secretary of the Company, joined the Group since August 2014. Ms. Chan holds a degree of Bachelor of Business Administration (Honours) in Accounting from Lingnan University in Hong Kong. She is a member of the Hong Kong Institute of Certified Public Accountants. Ms. Chan has around ten years of experience in accounting, auditing and financial management and previously worked in international accounting firms before joining the Company.

Mr. Lam Ka Hang, the director of China Demeter Securities Limited, joined the Group since September 2016. He is responsible for overall business development, operations and management of China Demeter Securities Limited. He has over 20 years of experience in securities and futures businesses, and has worked in a number of securities firms. He has expertise in brokerage operations, sales management and market operations of securities and futures businesses. He is the Committee Member of Hong Kong Securities Professionals Association and Life Honorary President of Hong Kong Institute of Financial Analysts and Professional Commentators Limited. He is a responsible officer recognised by the Securities and Futures Commission ("**SFC**") for engaging in the Type 1 (dealing in securities), Type 4 (Advising on securities) and Type 9 (Asset Management) regulated activities. He was also a responsible officer recognised by SFC for engaging in the Type 2 (dealing in futures contracts) regulated activities from 2006 to 2015.

Mr. Chan Chi Fung, the vice president and a director of China Demeter Securities Limited, joined the Group since October 2016. He has approximately 14 years of experiences in financial market. He is responsible for managing day to day trading operation. He worked in Win Fung Securities Limited from December 2013 to October 2016 and his last position with Win Fung Securities Limited was a director and was responsible for managing day to day trading operation. He is also a responsible officer recognised by the SFC for engaging in the Type 1 (dealing in securities) and Type 4 (Advising on securities) regulated activities.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, changes in information of Directors are set out below:

Name of Director	Details of changes
Mr. Zhou Jing	– the total emoluments for the year ended 31 December 2017 was HK$260,000
	– resigned as an independent non-executive director of Sino Vision (Stock Code: 8086) on 10 August 2017 which is listed on GEM of the Stock Exchange, appointed as an independent non-executive director of Tech Pro (Stock Code: 3823) on 8 March 2017 and resigned as an independent non-executive director of Tech Pro (Stock Code: 3823) on 27 September 2017 which is listed on Main Board of the Stock Exchange
Mr. Ng Man Chun Paul	– the total emoluments for the year ended 31 December 2017 was HK$1,694,000
Mr. Lam Chun Kei	– the total emoluments for the year ended 31 December 2017 was approximately HK$788,000
Mr. Ng Ting Ho	– the total emoluments for the year ended 31 December 2017 was approximately HK$804,000
	– redesignated from an executive Director to a non-executive Director with effect from 16 June 2017
Mr. Chan Hin Hang	– the total emoluments for the year ended 31 December 2017 was HK$16,000
	– appointed as an independent non-executive director of Millennium Pacific Group Holdings Limited (Stock Code: 8147) on 17 July 2017 which is listed on GEM of the Stock Exchange
Mr. Yum Edward Liang Hsien	– the total emoluments for the year ended 31 December 2017 was HK$16,000
Mr. Hung Kenneth	– the total emoluments for the year ended 31 December 2017 was HK$120,000
	– resigned as an executive director of Sino Vision (Stock Code: 8086) on 1 November 2017 which is listed on GEM of the Stock Exchange

Corporate Governance Report

The Company is committed to maintaining good corporate governance and to instituting procedures to ensure integrity, transparency and quality of information disclosed thereby enhancing the value of the Company for its shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and its Shareholders.

The Company's corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code (the "**CG Code**").

The Company has in practice complied with the requirements under the amendments to the CG Code relating to risk management and internal control. The Board has adopted new terms of reference for the audit committee of the Company on 1 January 2016 to comply with the new requirements under the amendments to C.3.3 of the CG Code.

The Company has complied with all the code provisions of the CG Code during the Year.

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 year ended 31 December 2017.

BOARD OF DIRECTORS (THE "BOARD")

The Board is responsible for the leadership and control of the Company and for overseeing the business of the Group. The Board has delegated authority and responsibility to the senior management for the day-to-day operations of the Group. Key matters will remain as the responsibility of the Board whose approval will be required. In addition, the Board has also delegated responsibilities to various management committees. Details of those committees are set out in this corporate governance report.

The Directors during the year ended 31 December 2017 and up to the date of this report were:

Executive Directors:

Mr. Zhou Jing
Mr. Ng Man Chun Paul
Mr. Lam Chun Kei

Non-executive Director:

Mr. Ng Ting Ho (redesignated from an executive Director on 16 June 2017)

Independent non-executive Directors:

Mr. Chan Hin Hang (appointed on 13 November 2017)
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)
Mr. Lee Kin Fai (resigned on 13 November 2017)
Ms. Cheng Lo Yee (resigned on 13 November 2017)
Mr. Hung Kenneth

Details of the members of the Board are provided under the heading "Profiles of Directors and Senior Management" of this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2017, all Directors, namely, Mr. Zhou Jing, Mr. Ng Man Chun Paul, Mr. Lam Chun Kei, Mr. Ng Ting Ho, Mr. Chan Hin Hang, Mr Yum Edward Liang Hisen, Mr. Hung Kenneth, Mr. Lee Kin Fai and Ms. Cheng Lo Yee had participated in continuous professional development with respect to directors duties, relevant programmes and seminars or had perused reading materials and updated information in relation to business and industrial development. The Directors had provided the relevant training records to the Company.

The Company is committed to arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her roles, functions, duties and responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group.

INDEPENDENCE

Independent non-executive Directors are required to give an annual confirmation of their independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. This practice is being observed and the Company considers the independent non-executive directors to be independent.

BOARD MEETINGS AND BOARD COMMITTEES MEETINGS

29 board meetings were held during the year ended 31 December 2017. The Directors use their best endeavour to ensure that for all board meetings to be held, board minutes are kept by the secretary of the Company (the "**Secretary**"), and be open for inspection by the Directors. Every Director is entitled to have access to the board papers and related materials and have unrestricted access to the advice and services of the Secretary, and have the liberty to seek external professional advice if so required.

The Board has established three Board Committees, namely Audit Committee, Remuneration Committee and Nomination Committee.

The attendance of the Directors at the board meetings and the meetings of full Board Committees are as follows (the date of change mentioned below related to the change of the Directors):

	No. of meetings attended/eligible to attend		
Names of Directors	**Board Meeting**	**Annual General Meeting**	**Special General Meeting**
Executive Directors:			
Mr. Zhou Jing	29/29	1/1	2/3
Mr. Ng Man Chun Paul	29/29	1/1	1/3
Mr. Lam Chun Kei	29/29	1/1	3/3
Mr. Ng Ting Ho (redesignated to non-executive director on 16 June 2017)	17/17	1/1	3/3
Non-executive Director:			
Mr. Ng Ting Ho (redesignated from executive director on 16 June 2017)	12/12	0/0	0/0
Independent non-executive Directors:			
Mr. Chan Hin Hang (appointed on 13 November 2017)	6/6	0/0	0/0
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)	6/6	0/0	0/0
Mr. Lee Kin Fai (resigned on 13 November 2017)	23/23	1/1	2/3
Ms. Cheng Lo Yee (resigned on 13 November 2017)	23/23	1/1	2/3
Mr. Hung Kenneth	29/29	1/1	1/3

AUDIT COMMITTEE

Audit Committee of the Board was established on 26 October 2011, written terms of reference were adopted in compliance with the GEM Listing Rules. The main functions of the Audit Committee of the Company is to recommend to the Board on the appointment, reappointment and removal of the external auditors; to approve the remuneration and terms of engagement of the external auditors as well as any questions of resignation or dismissal of such auditors; to review the quarterly, interim and annual reports and accounts of the Group; and to oversee the Company's financial reporting, risk management and internal control procedures.

The Audit Committee of the Company consists of three independent non-executive Directors, namely, Mr. Chan Hin Hang (chairman of the Committee), Mr. Yum Edward Liang Hsien 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 held 4 meetings during the year. The Audit Committee has reviewed the final results for the year ended 31 December 2017 and also the quarterly and interim results during the year ended 31 December 2017.

The members and attendance of the Audit Committee for the year ended 31 December 2017 are as follows (the date of change mentioned below related to the change of the Directors):

Name of Audit Committee members	Number of meetings attended/eligible to attend
Mr. Chan Hin Hang (appointed on 13 November 2017)	0/0
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)	0/0
Mr. Lee Kin Fai (resigned on 13 November 2017)	4/4
Ms. Cheng Lo Yee (resigned on 13 November 2017)	4/4
Mr. Hung Kenneth	4/4

REMUNERATION COMMITTEE

Remuneration Committee of the Board was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Remuneration Committee of the Company, with the majority of its members being independent non-executive Directors, is mainly responsible for making recommendations to the Board on the remuneration policy of the Company. The Remuneration Committee has to consult the chairman and/or the chief executive officer of the Company on their proposals relating to the remuneration of other executive Directors. The Remuneration Committee may seek independent professional advice as it considers necessary in respect of its function.

The Remuneration Committee of the Company consists of three independent non-executive Directors, namely Mr. Chan Hin Hang (chairman of the Committee), Mr. Yum Edward Liang Hsien and Mr. Kenneth Hung.

During the year ended 31 December 2017, the Remuneration Committee held 2 meetings. It reviewed the remuneration policy of the Company, assessed the performance of the executive Directors and senior management and recommended specific remuneration packages of the Directors and senior management to the Board with reference to the level of responsibilities of the individual director, the scope of operation of the Group as well as the prevailing market conditions.

The members and attendance of the Remuneration Committee for the year ended 31 December 2017 are as follows (the date of change mentioned below related to the change of Remuneration Committee members):

Name of Remuneration Committee members	Number of meetings attended/eligible to attend
Mr. Chan Hin Hang (appointed on 13 November 2017)	0/0
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)	0/0
Mr. Lee Kin Fai (resigned on 13 November 2017)	2/2
Ms. Cheng Lo Yee (resigned on 13 November 2017)	2/2
Mr. Kenneth Hung	2/2

NOMINATION COMMITTEE

Nomination Committee of the Board was established on 26 October 2011. Written terms of reference were adopted in compliance with the GEM Listing Rules. The Nomination Committee of the Company is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board regarding any proposed appointment and re-appointment.

The Nomination Committee recognises the importance and the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. It will identify the suitability of candidates on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The nomination committee consists of three independent non-executive Directors, namely Mr. Yum Edward Liang Hsien (chairman of the Committee), Mr. Chan Hin Hang and Mr. Hung Kenneth.

During the year ended 31 December 2017, the Nomination Committee of the Company held 2 meetings and has reviewed the structure, size and composition of the Board.

The members and attendance of the Nomination Committee for the year ended 31 December 2017 are as follows (the date of change mentioned below related to the change of Nomination Committee members):

Name of Nomination Committee members	**Number of meetings attended/eligible to attend**
Mr. Chan Hin Hang (appointed on 13 November 2017)	0/0
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)	0/0
Ms. Cheng Lo Yee (resigned on 13 November 2017)	2/2
Mr. Lee Kin Fai (resigned on 13 November 2017)	2/2
Mr. Hung Kenneth	2/2

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Pursuant to Code Provision B.1.5, the remuneration of the members of senior management (comprising executive Directors, non-executive Directors and senior management) of the Group for the year ended 31 December 2017 by band is as follows:

	Number of individuals
Nil to HK$1,000,000	2
HK$1,000,001 to HK$1,500,000	–
HK$1,500,001 to HK$2,000,000	3

Further particulars in relation to Directors' remuneration and the five highest paid individuals are set out in notes 11 and 12 to the consolidated financial statements respectively.

CORPORATE GOVERNANCE FUNCTIONS

The Directors are responsible for performing the corporate governance duties as to develop and review the Company's policies and practices on corporate governance, make recommendations to the Board, review and monitor the Company's policies and practices on compliance with legal and regulatory requirements. Also, the Directors are responsible for reviewing the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report and develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and to review and monitor the training and continuous professional development of directors.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the year ended 31 December 2017.

INTERNAL CONTROL AND RISK MANAGEMENT

Summary

The Company and the Group have engaged a consultant to conduct a review on the Group's internal control environment and report to the Group's Audit Committee and management for the purpose of evaluation of the documentation, effectiveness and efficiencies of the control of the Group. The Company's audit committee reviewed the Company's risk management and internal control systems in respect of the year ended 31 December 2017. The Board conducted a review of the internal control system and the effectiveness of it operations of the Company and its subsidiaries for the year ended 31 December 2017, including financial, operational and compliance control, and risk management functions. That will ensure that the Directors will oversee and monitor the Group's overall financial position so that the interests of the shareholders are well protected and covered. The Board assessed the effectiveness of internal control by considering the reviews performed by the consultant. Save as the non-compliance disclosed below, the Board and the Audit Committee considered that the risk management and internal control system are effective and adequate during the year. The Company complies with the code provisions relating to internal control contained in the CG Code.

Risk Management Philosophy

Risk taking is a necessary and accepted part of the Company's business. Effectively managing risk is a competitive necessity and an integral part of creating shareholder value through good business practices designed to ensure that the Company achieves its strategic, business and governance objectives, and protects its corporate reputation, values and integrity.

Risk management applies to all aspects of the Company's business and forms a critical part of developing strategic plans, preparing operational plans and budgets, completing detailed project approval requests and designing and managing project plans.

Risk Management Responsibility

The Board acknowledges that it is responsible for the oversight of the Company's risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board, through the Audit Committee, is responsible for reviewing and assessing the major risks facing the Company and reviewing, approving and monitoring the Company's approach to addressing such risks annually.

Under its terms of reference, the Audit Committee is responsible for the oversight of the Company's financial reporting system, risk management systems and internal control systems. The Audit Committee oversees the risk management process and reviews the effectiveness of the risk management and internal control systems by conducting the following procedures:

- reviewing the Company's financial controls, and unless expressly addressed by a separate board risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have an effective systems; this discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

- considering major investigations findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

- reviewing the Group's financial and accounting policies and practices;

- reviewing the external auditors' management letter, any material queries raised by the auditor to management about the accounting records, financial accounts or systems of control and management's response;

- reviewing arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

- acting as the key representative body for overseeing the Company's relations with the external auditor;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- conducting exit interviews with any director, manager, financial controller or internal credit control manager upon their resignation in order to ascertain the reasons for his departure;
- preparing work reports for presentation to the Board and to prepare summary of work reports for inclusion in the Group's interim and annual reports;
- considering the appointment of any person to be a Committee member, auditors and accounting staff either to fill a casual vacancy or as an additional Committee member, auditors and accounting staff or dismissal of any of them;
- reporting to the Board on the matters set out in paragraphs C.3.1 to C.3.7 of the Corporate Governance Code set out in Appendix 15 to the GEM Listing Rules; and
- considering other matters, as defined or assigned by the Board from time to time.

Inside Information

The Board assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 17.10 and 17.11 of the GEM Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors also may have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

Risk Management and Internal Control Process

During 2017, we engaged a consultant who conducted an interview with key personnel and senior management of the Group, review the internal control manual and related documents and perform site visit to observe daily operation to understand the Company's risk management and internal control system. The findings on internal control and enterprise risk management were summarised was distributed to the Audit Committee for its review. The Audit Committee concluded that save as the Non-Compliance Matter (as defined below), the Company had in place effective and adequate risk management and internal control systems. The Company has ensured that the risk management and internal control provisions under the Corporate Governance Code have been complied with. The Board, has confirmed that except for the Non-Compliance Matter, the adequacy of the resources and staff qualifications and experiences of the Company's accounting and financial reporting functions during its annual review on the risk management and internal control systems.

Risks are evaluated by the Board and senior management based on (i) the severity of the impact of the risk on the Company's financial results; (ii) the probability that the risk will occur; and (iii) the velocity or speed at which a risk could occur.

Based on the risk evaluation, the Company will manage the risks as follows:

- Risk elimination – senior management may identify and implement certain changes or controls that in effect eliminate the risk entirely.

- Risk mitigation – senior management may implement a risk mitigation plan designed to reduce the likelihood, velocity or the severity of the risk to an acceptable level.

- Risk retention – senior management may decide that the risk rating is low enough that the risk is acceptable for the Company and that no action is required. The risk would continue to be monitored as part of the risk management program to ensure the level of risk does not increase to an unacceptable level.

Based on the risk evaluation, the Company will manage the risks as follows:

(1) Credit risk management

For loans granted by the Group, the Credit Committee will hold meetings on a monthly basis to review the repayment record of the loan interests and loan principals. The Credit Committee will assess the credit quality of the outstanding loan portfolio and see if provision needs to be made for non-performing loans.

The Credit Committee will regularly report to the Board over the repayment record of the loan interests and loan principals in the loan portfolio, its components and other matters, which need to be bought to the attention of the Board.

Given that the targeted customers of the Group's money lending business are well-heeled and reputational individuals and well-established companies, in the case of provision of short-term loans for the purpose of short-term financing for personal/business needs, the Group will generally not require collateral as it was not viable for such customers to provide collaterals and would only deter them. Moreover, for short-term loans, the creation and release of collaterals would create unnecessary administrative cost to the Group. Nevertheless, the Group would apply the established credit approval policy and process to assess each and every potential customer such that, the Group would only approve any loans after the Group is of the view that any provision of loan will not constitute a high credit risk and the Group would usually require customers to provide signed and post-dated bank cheques with payments in accordance with tailor made repayment schedules.

We are exposed to credit risks during the course of our business on providing financing services to our customers for trading on a margin basis.

The credit assessment of a customer is performed during account opening through enquiry and collection of information so as to verify the customers' net worth and income, and evaluate their risk profile by understanding their financial condition, investment preferences and investment experience. We did not independently obtain credit information from third parties (such as any credit reports on our customers) during our credit assessment process. However, given that (i) our financing service are provided with listed securities pledged as collaterals; (ii) margin ratio is assigned for each individual securities; (iii) marginable amount of each of our customer is determined based on (a) the market value of securities held under the securities trading account; and (b) the margin ratio for each securities; and (iv) our margin call policy and trading limit set for each securities trading account would limit the maximum loss due to customer's default, our Directors consider that our credit assessment procedures are appropriate and sufficient to manage our credit risk.

(2) Business and operational risk management

The Credit Committee is responsible for the assessment of the business and operational risks and implementation of credit policies. Monthly meetings are held among Credit Committee members and regular meetings are held between the Credit Committee and the Board to review the operating activities of the money lending business.

We have established internal reporting procedures to report any suspected case (including but not limited to employee misconduct and fraud). We have formulated credit policies and operational procedures (which are continuously updated), and implemented initiatives which include:

– segregating duties between credit assessment, loan file reviews and loan approval to establish checks and balances in the loan approval processes;

– checking and recalculating loan repayment schedules upon loan settlement to ascertain the accuracy of interests charged in accordance with the stated effective interest rates;

– adopting staff handbook which documented our requirements on employees' code of conduct and contained reporting policy as a procedure guideline for staff to report fraud or suspicious fraud case, if any;

– adopting information security guidelines to prevent unauthorised access to our information system and to reduce the operational risk caused by failures of information technology systems by maintaining backup data for the key data processing systems; and

– strengthening our anti-money laundering monitoring efforts via verification of identity, record keeping, recognition of suspicious transactions, reporting of suspicious transactions and staff education and training.

(3) *Liquidity risk management*

The Group has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. Specifically, in conducting the money lending business, our management will monitor our Group's cash inflow and outflow on a weekly basis to ensure the accuracy of cash collection and deployment and that there is no shortfall in cash which may interrupt our Group's business. The Group will maintain sufficient cash buffer to meet the working capital requirement and liquidity needs for our business operations in the coming months. The Group's major liquidity needs mainly include the settlement of operating expenses such as office rental and employees' remuneration. For the year ended 31 December 2017, the Group had not experienced any shortfall in cash for meeting the above liquidity needs.

We are required to maintain at all times the liquid capital which is not less than the minimum requirement as set out under the financial resources rules and financial return ("**FRR**"). Our accounts department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. The monthly financial returns are submitted to our responsible officers for review and approval before submission to the Securities and Future Commission ("**SFC**") no later than three weeks after each calendar month. Our accounts department also conducts the liquid capital computation on a daily basis which is reviewed by our responsible officers to ensure that we are able to comply with the FRR requirement on an ongoing basis.

During the Year, our Group did not have any material non-compliance with the minimum liquid capital requirement as set out by the SFC.

(4) *Legal and regulatory risk management*

The credit approval policy and process as described in the paragraph headed "Credit policy and loan approval process" above has been designed to ensure that the Group's money lending business operates in accordance with the Money Lenders Ordinance and applicable laws.

The Credit Committee has adopted suitable documentation and procedures in the application and assessment process to calculate the effective interest rate of all loan applications and ensure that the procedures are in compliance with the Money Lenders Ordinance. The Credit Committee and the Board will, from time to time, review such documentation and procedures to ensure the documentation and procedures to be in compliance with the relevant laws and regulations.

Non-Compliance

Our Directors confirm that save as disclosed below, we have complied with all applicable laws and regulations in Hong Kong and PRC (being the principal jurisdiction in which we operate) in all material respects and no disciplinary action was taken against any members of our Group and/or our employees during the year and up to the report date:

Set out below are details of our past non-compliance incidents:

China Demeter Securities Limited ("**CD Securities**") became a 51% owned subsidiary of the Company since 2 September 2016 and become an indirect wholly-owned subsidiary on 16 June 2017. CD Securities is a licensed corporation in Hong Kong to carry out on businesses in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. The grant of margin finance by CD Securities to its customers is in its ordinary course of business.

The Group had granted margin finance facility to the relevant connected persons on various occasions during year ended 31 December 2017 ("**Non-Compliance Matter**"). The Company regrettably admitted that it had breached Rule 20.33 of the GEM Listing Rules (to the extent applicable) to disclose the Non-Compliance Matter in a timely manner.

In order to prevent the occurrence of similar non-compliance incident in the future and to comply with the requirements under the GEM Listing Rules, the Company has taken the following remedial actions:

(1) the Company has immediately reviewed its current policy regarding grant of margin finance facility to connected persons to check whether it shall comply with any requirements under the GEM Listing Rules;

(2) the Company has published the announcement to inform the Shareholders of the details of the connected transactions, please refer to the announcement dated 27 March 2017;

(3) the Company has arranged for external advisers to provide training to all the Directors, directors of CD Securities and senior management of the Group on connected transactions under the GEM Listing Rules; and

(4) the Company has issued a memorandum to the directors and licensed responsible officers and representatives of CD Securities, reiterating that: (a) the management of the Company will only grant any margin finance facility to any connected person of the Company or their respective associates after having evaluated the implications of the GEM Listing Rules and ensuring the Company will be able to comply with the applicable requirements under the GEM Listing Rules, and in case of any doubt, the Company will consult external legal advisers, financial advisers and/or the Stock Exchange; and (b) the management of CD Securities will prepare monthly summary report on the margin finance facility granted for review by the Board.

COMMUNICATIONS WITH SHAREHOLDERS

The Company provides information in relation to the Group to the shareholders in a timely manner through a number of formal channels, including quarterly, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (http://www.chinademeter.com).

The shareholders' meeting provides a useful channel for shareholders to communicate directly with the Board which the directors are available to answer questions related to the Company's affairs.

The procedures to elect directors were uploaded to the Company's website (http://www.chinademeter.com).

The latest version of the Company's bye-laws can be downloaded from the website of the Company or the Stock Exchange website.

The Company will continue to improve the communication with investors and to provide them more opportunities to understand the business of the Company.

AUDITORS' REMUNERATION

During the year ended 31 December 2017, the amount of fees in respect of audit services and non-audit services paid/payable to the Group's auditors, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, was set out below:

	2017	2016
	HK$'000	HK$'000
HLB Hodgson Impey Cheng Limited		
Audit services	**1,200**	720
Non-audit services		
– Acting as reporting accountants to report on certain financial information included in the Company's circular	**180**	500
– Other professional services	**90**	222
Total	**1,470**	1,442

COMPANY SECRETARY

The Company Secretary is an employee of the Group and has day-to-day knowledge of the Group's affairs. During the year, the Company Secretary complied with the qualification and training requirements under the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to convene a SGM

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to Article 58 of the bye-laws of the Company, shareholders holding not less than one-tenth of the paid-up capital of the Company can convene a SGM by depositing a requisition in writing to the Directors or the Company Secretary of the Company for the purpose of requiring the convening of the SGM. The written requisition shall be deposited to the Company's office at 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

Procedures for Shareholders to send enquiries to the Board

The Company is committed to regular and proactive communication with its shareholders. It has adopted a policy of disclosing clear, adequate and relevant information to Shareholders in a timely manner through various channels. The Company has complied with the GEM Listing Rules by posting announcements, notices, quarterly, interim and annual reports as well as shareholders' circulars on the respective websites of the Stock Exchange and the Company (http://www.chinademeter.com).

Shareholders are encouraged to communicate with the Company for any enquiries in relation to the Group, or for putting forward any proposals at a shareholders' meeting:

Address:	3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong
Telephone no.:	(852) 2116 1218
Fax no.:	(852) 2151 1872
Attention:	The Board of Directors/The Company Secretary

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Company's bye-laws and applicable legislation and regulations.

If a Shareholder, who is duly qualified to attend and vote at the general meeting convened to deal with appointment/election of Director(s), wishes to propose a person (other than the member himself/herself) for election as a Director at that meeting, he/she/it can deposit a written notice to the following address:

Head office and principal place of business of the Company in Hong Kong

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

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 17.50(2) of the GEM Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected.

Procedures for Shareholders to put forward proposals

Pursuant to Article 58 of the bye-laws of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition.

Save as the procedures for shareholders of the Company to convene a general meeting as set out above, there are no other provisions allowing shareholders of the Company to put forward proposals at the general meeting under the bye-laws of the Company or under the Companies Act 1981 of Bermuda. Shareholders of the Company may follow the procedures set out above to convene a SGM for any business specified in such written requisition. The written requisition must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned. The written requisition shall be deposited at 3/F., Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong, the head office of the Company, for the attention of the Board or the Company Secretary.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities in the preparation of the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Company and in presenting the quarterly, interim and annual financial statements, and announcements to shareholders, the Directors aim at presenting a balanced, cleared and comprehensive assessment of the Company's performance, its current position and future prospects. The respective responsibilities of the Directors and auditors of the Company in respect of the preparation of the consolidated financial statements are set out in the independent auditors' report on pages 75 to 81 of this annual report.

Directors' Report

The directors (the "**Directors**") of the Company present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries are set out in note 16 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 December 2017 is set out in note 6 to the consolidated financial statements.

RESULTS

The financial performance of the Group for the year ended 31 December 2017 and financial position of the Group as at the year end date are set out in the consolidated financial statements on pages 82 to 85 of this annual report.

DIVIDEND

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" from pages 4 to 6, and pages 7 to 23, respectively.

Key Risk and Its Management

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

Key Risk

(1) Reliance on key personnel

The effective operations and future success of the Group's business are depending, to a significant extent, on the capability, experience and continued efforts of our key management personnel. If the Group is unable to attract, retain and motivate the necessary key management personnel, the business and operation conditions of the Group may be disrupted and the results and financial positions of the Group may be materially or adversely affected.

(2) Reliance on close relationship with the Group's customers

The success of the Group relies heavily on good relationship with its customers. If the Group fails to maintain the current level of business relationship with its customers and retain them in its sales and distribution network, the sales, financial condition and operating results of the Group may be adversely affected.

(3) Change in requirements for feedstock products

The success of Group's feedstock products business depends on, to a large extent, the formulae and the quality products that appeal to the mass market. However, regulations relating to the ingredients of feedstock products may change over time. If the Group is unable to source or unable to successfully develop products according to the changes in regulations or customers' preference, the demand for the feedstock products of the Group may decrease.

(4) Dependence of the Group's revenue on the PRC market

The PRC is currently the Group's key market for its products. There is no assurance that the PRC domestic market gap between supply and demand in the industry and the local demand for the Group's products will sustain. In the event that local or domestic demand for the Group's feedstock products decreases and the Group is not able to expand its business to other markets, the Group's business, financial condition and results operations may be adversely affected.

(5) *Potential adverse impacts of events on raw materials*

Potential adverse impact of the unfavourable weather conditions and natural and man-made disasters on the raw materials of the Group's feedstock products agricultural products such as corn, bran meal, soybean meal and wheat bran are the major raw material components of the Group's feedstock products. The harvest of such agricultural products may be adversely affected by natural disasters including, but not limited to, drought, floods, prolonged periods of rainfall, hailstorm, windstorms, typhoons and hurricanes, fire, diseases, landslides, insect infestation, pests, volcanic eruption or earthquakes, as well as man-made disasters such as environmental pollution, arson, accidents, civil unrest or acts of terrorism. The occurrence of any of natural or man-made disasters may diminish the supply of raw materials used for the production of the Group's feedstock and thus may result in a significant increase of the Group's cost and has an adverse affect on the Group's profitability.

(6) *Major financial risk exposed to the Group*

The Group is exposed to financial risks, including credit, interest rate, liquidity and other price risks. The Group actively and regularly reviews these risks and will adopt measures, if needed, to control and mitigate these risks.

(7) *Risks relating to the money lending business*

The money lending business of the Group is exposed to default from the Group's customers, which involves the risk of loss due to the inability or unwillingness of customers to meet their contractual obligations. If the customers of the money lending business of the Group fail to meet their contractual obligations, the Company may incur additional costs to collect the loan principal and corresponding interests. To mitigate this risk, the Board has set up the Credit Committee with relevant experience of this business segment and report to the board of the Company directly. The Credit Committee has full authority to deal with all credit matters. The members of the Credit Committee are appointed by the Board and the quorum of the Credit Committee is at least two committee members. The credit policy of the Group's money lending business is subject to the review and amendments by the Credit Committee and the Board from time to time in line with changes in market environment.

(8) *Risk relating to the financial services business*

The financial services business of the Group is subject to the performance of the Hong Kong securities market and the performances of our competitors which are beyond our control and we cannot assure that our historical level of income can be sustained. In addition, non-compliance with extensive regulatory requirements could cause us to incur fines, restriction on our financial service activities or even suspension or revocation of some or all of our licences for carrying on our business activities.

Also our brokerage services involved active interactions between our staff and customers and therefore it is subject to human errors, which we have to bear the losses resulting therefrom. For placing and underwriting business, we are exposed to business risks in case the securities underwritten by us are undersubscribed or the placing exercises are failed to complete.

For a discussion of how the Group would tackle with the management of the material risks, please refer to the paragraphs headed "Internal Control and Risk Management" in the section headed "Corporate Governance Report" from page 44 to 61.

MAJOR PROJECTS AND EVENTS

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section headed "Management Discussion and Analysis" as set out on pages 7 to 23.

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2017 are set out in note 16 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results of the Group for the last five financial years is set out on pages 210 to 212 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 35 to the consolidated financial statements.

SHARE OPTION SCHEMES

Particulars of the Company's share option scheme are set out in note 37 to the consolidated financial statements. As at 31 December 2017, the Board can grant further share options entitling the holders thereof to subscribe for 21,633,613 (2016: 179,612) shares, representing approximately 2.18% (2016: 0.02%) of the issued share capital of the Company.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws 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 LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 year ended 31 December 2017.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 47 to the consolidated financial statements.

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 86.

DISTRIBUTABLE RESERVES OF THE COMPANY

Details of movements during the year in the reserves and reserves available for distribution to the Company's shareholders of the Group and the Company are set out on page 86 of this report and in note 47 to the consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the year ended 31 December 2017, sales amount to the Group's five largest customers accounted for 26% of the total sales amount from continuing operations of the Group, whilst the largest customer of the Group accounted for approximately 5% of the total sales amount from continuing operations of the Group. Purchases from the Group's five largest suppliers accounted for 64% of the total purchases amount from continuing operations of the Group, whilst the largest supplier of the Group accounted for approximately 32% of the total purchases amount from continuing operations of the Group.

As far as the Directors are aware, none of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

BANK AND OTHER BORROWINGS

Details of bank and other borrowings of the Group are set out in note 33 to the consolidated financial statements.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors:

Mr. Zhou Jing
Mr. Ng Man Chun Paul
Mr. Lam Chun Kei
Mr. Ng Ting Ho (redesignated to non-executive director on 16 June 2017)

Non-executive Director:

Mr. Ng Ting Ho (redesignated from executive director on 16 June 2017)

Independent non-executive Directors:

Mr. Chan Hin Hang (appointed on 13 November 2017)
Mr. Yum Edward Liang Hsien (appointed on 13 November 2017)
Mr. Lee Kin Fai (resigned on 13 November 2017)
Ms. Cheng Lo Yee (resigned on 13 November 2017)
Mr. Hung Kenneth

On 16 June 2017, Mr. Ng Ting Ho has been ("**Mr. Ng**") redesignated from an executive Director to non-executive Director of the Company. The redesignation of Mr. Ng is primarily due to reallocation of responsibilities amongst the Group's management team whereupon Mr. Ng will focus more on the development of financial services business of the Group. Mr. Ng has confirmed that he is not aware of any matter relating to his redesignation which needs to be brought to the attention of the shareholders of the Company.

Mr. Lee Kin Fai ("**Mr. Lee**") and Ms. Cheng Lo Yee ("**Ms. Cheng**") have resigned as independent non-executive Directors effective from 13 November 2017. Following their resignation, each of them ceased to be the chairman or chairlady and committee members of the various Board committees on the same date. Each of Mr. Lee and Ms. Cheng has confirmed that he or she has no disagreement with the Board and there is no matter relating to his or her resignation or other matter that shall be brought to the attention Shareholders.

On 13 November 2017, Mr. Chan Hin Hang ("**Mr. Chan**") and Mr. Yum Edward Liang Hsien ("**Mr. Yum**") have been appointed as independent non-executive Directors.

Biographical Information of Directors of the Company and the senior management of the Group are set out on page 40 to page 43 of the annual report.

In accordance with the bye-laws of the Company and compliance with the requirements of the GEM Listing Rules, Mr. Lam Chun Kei, and Mr. Zhou Jing will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Mr. Zhou Jing has entered into a letter of appointment with the Company for a fixed term at one year commencing from 15 November 2017. The appointment will be terminable by three month's prior written notice given by either side.

Mr. Ng Man Chun Paul has entered into a letter of appointment with the Company for a fixed term of one year commencing from 15 November 2017. The appointment will be terminable by three months prior written notice given by either side.

Mr. Lam Chun Kei has entered into a letter of appointment with the Company for a fixed term of one year commencing from 16 October 2017. The appointment will be terminable by three month's prior written notice given by either side.

Mr. Ng Ting Ho has entered into a letter of appointment with the Company for a fixed term of one year commencing from 16 June 2017. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Chan Hin Hang has entered into a letter of appointment with the Company for a fixed term of one year commencing from 13 November 2017. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Yum Edward Liang Hsien has entered into a letter of appointment with the Company for a fixed term of one year commencing from 13 November 2017. The appointment will be terminable by one month's prior written notice given by either side.

Mr. Hung Kenneth has entered into a letter of appointment with the Company for a fixed term of one year commencing from 27 October 2017. The appointment will be terminable by one month's prior written notice given by either side.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Company has arranged Directors' and officers' liability insurance throughout the year ended 31 December 2017 to indemnify the Directors and officers for their liabilities arising from their lawful discharge of duties. The insurance coverage and premium is reviewed on an annual basis.

The bye-laws of the Company provide that the Directors for the time being acting in relation to any of the affairs of the Company and every one of them shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments of Directors and the five highest paid individuals of the Group are set out in notes 11 and 12 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each independent non-executive Directors, an annual confirmation of their independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all of the Independent non-executive Directors are independent.

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 subsisted, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2017, the interests of the Directors and the chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issues, were as follows:

Long Positions
Share options

Name of Director	Capacity	Number of options held	Number of underlying shares
Ng Man Chun Paul	Beneficial Owner	7,690,000	7,690,000
Ng Ting Ho	Beneficial Owner	7,690,000	7,690,000

Note: Particular of the Company's share option scheme are set out in note 37 to the consolidated financial statements.

Other than as disclosed above, none of the Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations as at 31 December 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed under the section headed "Share Option Schemes" and "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year 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 December 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 Positions

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of the share capital of the Company
Mr. Ng Ting Kit	Beneficial owner	207,400,000	20.87%
China Green (Holdings) Limited	Beneficial owner	102,880,000	10.35%

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 December 2017.

CONNECTED TRANSACTIONS

Connected Transactions undertaken by the Group during the year and up to the date of report are set out below:

1. On 16 June 2017, the Group acquired 49% equity interests in Profit Network from Trinity Worldwide Capital Holding Limited ("**Trinity Worldwide**"), a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, a non-executive director of the Company, at a cash consideration of HK$39,200,000. The acquisition of 49% equity interest in Profit Network constituted a major and connected transaction of the Company under the GEM Listing Rules and the ordinary resolution relating thereto was passed by the shareholders of the Company at a special general meeting held on 12 June 2017. Upon completion of the acquisition on 16 June 2017, Profit Network and its subsidiary ("**Profit Network Group**") became wholly owned subsidiaries of the Company and the financial results of the Profit Network Group continue to be consolidated into the consolidated financial statements of the Company. The difference between the fair value of consideration paid and the decrease in a non-controlling interest was adjusted in the accumulated loss of the Group.

   In view of the fact that Mr. Ng Ting Kit, the sole shareholder of the Vendor, is an associate of Mr. Ng Man Chun Paul, an executive director of the Company and Mr. Ng Ting Ho, a non-executive Director of the Company, the Vendor is a connected person of the Company and accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

   As one or more of the applicable percentage ratios (as defined under the GEM Listing Rules) in respect of the acquisition are more than 25% but all applicable percentage ratios are less than 100%, the acquisition constitutes a major transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. For details, please refer to the announcements dated 24 February 2017, 5 May 2017, 16 June 2017 and the circular dated 18 May 2017.

2. Disposal of a non-wholly owned subsidiary

On 31 January 2018, Rich Sheen International Limited ("**Rich Sheen**"), an indirect wholly-owned subsidiary of the Company and the Mr. Li Ho Kwong ("**Mr. Li**") entered into the SP Agreement, pursuant to which Rich Sheen agreed to sell, and the Mr. Li agreed to acquire, (i) the sale shares, representing 51% of the issued share capital of the Treasure Easy Limited ("**Treasure Easy**"), a company incorporated in Hong Kong with limited liability, and (ii) the sale loan, representing the entire shareholder's loan owing by Treasure Easy to the Rich Sheen as at completion date, at an aggregate cash consideration of HK$20,000. Treasure Easy was owned as to 51% by the Rich Sheen immediately prior to completion.

Immediately prior to completion, the Treasure Easy was a non-wholly owned subsidiary of the Company which was owned as to 51% by the Rich Sheen, as to 30% by the Mr. Li and as to the remaining 19% by two other individuals. Mr. Li, being a director and a substantial shareholder of the Treasure Easy, is a connected person of the Company.

Completion has taken place immediately after the signing of the SP Agreement and the Treasure Easy has ceased to be a subsidiary of the Company since then.

3. During the year, the Group has granted margin finance facility to certain connected persons of the Company or associates of connected persons of the Company on several occasions and such grant are not fully exempt connected transactions and was not disclosed in timely manner.

Identity of Relevant Connected Person	**Period of grant of margin finance facility**	**Amount of margin finance facility** HK$ ('000)	**Interest income received by the Group** HK$ ('000)
Individual A (note 1)	4 January 2017 to 4 January 2017	5,251	1
	26 January 2017 to 3 February 2017	5,195	4
	15 March 2017 to 17 March 2017	4,660	4
Individual B (note 1)	17 March 2017 to 21 March 2017	5,337	4
Company A (note 2)	15 March 2017 to 17 March 2017	8,133	3

Notes:

1. Individual A and Individual B are the parents of Mr. Chan Chi Fung, a director of China Demeter Securities Limited.

2. Company A is a wholly-owned company held by Mr. Yip Kai Pong ("**Mr. Yip**"), a former director of China Demeter Securities Limited. Mr. Yip resigned a director of China Demeter Securities since 4 January 2017.

The Directors (including the independent non-executive Directors) consider that the grant of the margin finance facility to the Relevant Connected Persons is in the course of the Group's ordinary course of business. Having considered the financial background of the Relevant Connected Persons and that additional interest income to be received by the Group, the Directors (including the independent non-executive Directors) consider that the terms of such grant of margin finance facility are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders as a whole.

Given that the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of each grant of the margin finance by China Demeter Securities Limited to the Relevant Connected Persons as disclosed in this announcement is less than 25% and the total value of the financial assistance plus any monetary advantage to the Relevant Connected Person is less than HK$10,000,000, each such grant is exempt from the circular (including independent financial advice) and shareholders' approval requirements under Rule 20.74(2)(b) of the GEM Listing Rules.

Other than above transactions, during the year, a subsidiary at the Company, China Demeter Securities Limited, received the commission income and interest income from Directors of the Group, a substantial shareholder, a director of a subsidiary, associates of Connected persons of the Company and companies which directors of that companies are also a substantial shareholder of the Company and a director of the subsidiary. The transaction is regarded as connected transaction pursuant to Chapter 20 of the GEM Listing Rule of the Stock Exchange. Particular of the related party transactions are disclosed in note 46 to the consolidated financial statements.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

Mr. Hung Kenneth, an independent non-executive Director, is an executive Director of Interactive Entertainment China Cultural Technology Investments Limited (Stock Code: 8081) 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.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as throughout the year ended 31 December 2017.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the corporate governance report on pages 44 to 61 of this annual report.

SIGNIFICANT SUBSEQUENT EVENTS

Significant subsequent events are set out in note 48 to the consolidated financial statements.

DONATION

During the year, the Group made charitable and other donations amounting to HK$188,000.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint HLB Hodgson Impey Cheng Limited as auditors of the Company.

On behalf of the Board

Zhou Jing
Chairman

Hong Kong, 23 March 2018

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

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

TO THE SHAREHOLDERS OF
CHINA DEMETER FINANCIAL INVESTMENTS LIMITED
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Demeter Financial Investments Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 82 to 209, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Included in available-for-sale investments with a total carrying amount of HK$25,947,000 on the consolidated statement of financial position of the Group as at 31 December 2017 was an unlisted fund investment (the "Unlisted Investment Fund") of approximately HK$7,188,000 which should be measured at fair value at the end of the reporting period with fair value changes recognised in other comprehensive income. The Group was unable to obtain the necessary financial and other information pertaining to the Unlisted Investment Fund so as to enable the Group to assess the fair value of the aforesaid Unlisted Investment Fund as at 31 December 2017, and accordingly the Group had not accounted for any fair value changes of the Unlisted Investment Fund for the year ended 31 December 2017. Accordingly, we were unable to obtain sufficient reliable audit evidence in order to satisfy ourselves as to whether the carrying amount of the aforesaid Unlisted Investment Fund as at 31 December 2017 was fairly stated, and as to whether any fair value changes should be reflected in other comprehensive income or any impairment loss should be charged to profit or loss for the year ended 31 December 2017. Any adjustments found to be necessary in respect of the above would affect the Group's net assets as at 31 December 2017 and the Group's financial performance for the year then ended, and the related disclosures thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditors’ responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors’ report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for qualified opinion* section above, we were unable to obtain sufficient reliable audit evidence about the carrying amount of the Unlisted Investment Fund as at 31 December 2017. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters	How our audit addressed the key audit matters
Impairment of loans and interest receivables	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of loans and interest receivables in note 26 to the consolidated financial statements. The impairment of loans and interest receivables is estimated by the management through the application of judgement and estimates. In determining the impairment allowance for loans and interest receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the loans and interest receivables.	Our audit procedures included: – obtaining an understanding and evaluating the methodologies and assumptions used by the Group in assessing impairment allowances; – reviewing the aging analysis of the loans and interest receivables throughout the year to understand the settlement patterns by the customers; and – assessing the reasonableness of recoverability of loans and interest receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of each individual customer.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill	
Refer to key sources of estimation uncertainty in note 4 and the disclosures of goodwill in note 18 to the consolidated financial statements. At 31 December 2017, the Group carried out an impairment assessment to the goodwill attributable to the financial service business and an impairment loss of goodwill of approximately HK$13,844,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. For the purpose of assessing impairment, goodwill was allocated to cash-generating unit ("CGU") of the financial service business, and the recoverable amount of the CGU was determined by management based on value-in-use calculation using cash flow projection. In carrying out the impairment assessment, significant management judgement was used to determine the key assumptions, including operating margins, terminal growth rate and discount rates, underlying the value-in-use calculation.	Our audit procedures included: – assessing value-in-use calculation methodology adopted by management; – assessing the reasonableness of key assumptions (including operating margins, terminal growth rate and discount rate) based on our knowledge of the business and industry and using valuation expert; and – checking the mathematical accuracy of the value in use calculation in the management's impairment assessment.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Mr. Kwok Kin Leung.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 23 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Continuing operations			
Revenue	5	**53,393**	37,739
Cost of sales and services		**(31,251)**	(21,672)
Gross profit		**22,142**	16,067
Other income, other gains and losses	5	**26,361**	4,647
Selling and distribution costs		**(259)**	(169)
General and administrative expenses		**(37,220)**	(25,594)
Fair value (loss) gain on financial assets through profit or loss		**(87,506)**	218
Impairment loss of available-for-sale investments		**(6,680)**	(1,320)
Impairment loss of goodwill	18	**(13,844)**	–
Share of loss of a joint venture	21	**(759)**	(11,897)
Finance costs	7	**(1,104)**	(870)
Loss before tax		**(98,869)**	(18,918)
Income tax credit	8	**40**	361
Loss for the year from continuing operations	10	**(98,829)**	(18,557)
Discontinued operations			
Profit for the year from discontinued operations	9	**1,050**	4,200
Loss for the year		**(97,779)**	(14,357)
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**2,107**	(1,753)
Share of other comprehensive income of a joint venture	21	**225**	277
Reclassification adjustments relating to foreign operations disposed of during the year	9	**(1,830)**	–
Change in fair value of available-for-sale investment		**–**	(112)
Other comprehensive income (expense) for the year		**502**	(1,588)
Total comprehensive expense for the year		**(97,277)**	(15,945)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		**(99,021)**	(19,640)
– from discontinued operations		**534**	1,957
		(98,487)	(17,683)
Profit for the year attributable to non-controlling interests			
– from continuing operations		**192**	1,083
– from discontinued operations		**516**	2,243
		708	3,326
		(97,779)	(14,357)
Total comprehensive (expense) income attributable to:			
– Owners of the Company		**(98,135)**	(18,415)
– Non-controlling interests		**858**	2,470
		(97,277)	(15,945)
Loss per share	14		
– for continuing and discontinued operations			
Basic (HK cents)		**(11.17)**	(3.01)
Diluted (HK cents)		**(11.17)**	(3.01)
– for continuing operations			
Basic (HK cents)		**(11.23)**	(3.34)
Diluted (HK cents)		**(11.23)**	(3.34)

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**7,334**	6,956
Prepaid lease payments	17	**911**	887
Goodwill	18	**–**	13,844
Intangible asset	19	**500**	500
Investment in a joint venture	21	**3,574**	2,432
Loans and interest receivables	26	**11,939**	33,082
Available-for-sale investments	22	**25,947**	33,616
Other assets	23	**12,412**	230
Deferred tax assets	34	**88**	11
		62,705	91,558
Current assets			
Inventories	24	**2,343**	1,696
Trade receivables	25	**22,457**	94,151
Loans and interest receivables	26	**85,041**	52,646
Deposits, prepayments and other receivables	27	**15,716**	14,688
Financial assets at fair value through profit or loss	28	**14,983**	150,725
Tax recoverable		**57**	–
Trust bank accounts	29	**28,954**	26,998
Cash and cash equivalents	29	**94,293**	73,971
		263,844	414,875
Current liabilities			
Trade and other payables	30	**37,936**	51,827
Amount due to a non-controlling interest	32	**–**	29,400
Derivative financial instruments	31	**–**	6
Bank and other borrowings	33	**–**	25,470
Current tax liabilities		**10**	349
		37,946	107,052
Net current assets		**225,898**	307,823
Net assets		**288,603**	399,381

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	35	**9,936**	7,691
Reserves		**267,799**	353,729
Equity attributable to owners of the Company		**277,735**	361,420
Non-controlling interests		**10,868**	37,961
Total equity		**288,603**	399,381

The consolidated financial statements on pages 82 to 209 were approved and authorised for issue by the board of directors on 23 March 2018 and signed on its behalf by:

Director	*Director*
Mr. Zhou Jing	**Mr. Lam Chun Kei**

Consolidated Statement of Changes In Equity

For the year ended 31 December 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$'000	Available-for-sale investments revaluation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Sub-total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2016	19,727	84,734	160,253	61,545	873	4,672	2,026	–	8,224	342,054	9,592	351,646
(Loss) profit for the year	–	–	–	–	–	–	–	–	(17,683)	(17,683)	3,326	(14,357)
Other comprehensive expense for the year	–	–	–	–	–	–	(620)	(112)	–	(732)	(856)	(1,588)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(620)	(112)	(17,683)	(18,415)	2,470	(15,945)
Capital reorganisation (Note 35(i))	(15,782)	–	15,782	–	–	–	–	–	–	–	–	–
Issue of shares pursuant to open offer (Note 35(ii))	1,973	17,754	–	–	–	–	–	–	–	19,727	–	19,727
Issue of shares upon exercise of share options (Note 35(iv))	590	8,036	–	–	–	(2,136)	–	–	–	6,490	–	6,490
Issue of placing shares (Note 35(iii))	1,183	10,651	–	–	–	–	–	–	–	11,834	–	11,834
Transaction costs attributable to issue of shares	–	(2,406)	–	–	–	–	–	–	–	(2,406)	–	(2,406)
Recognition of equity-settled share-based payments (Note 37)	–	–	–	–	–	2,136	–	–	–	2,136	–	2,136
Lapse of share options	–	–	–	–	–	(4,672)	–	–	4,672	–	–	–
Non-controlling interests arising on acquisition of a subsidiary (Note 41(a))	–	–	–	–	–	–	–	–	–	–	25,899	25,899
Amount transferred to written off accumulated loss (Note)	–	–	(22,484)	–	–	–	–	–	22,484	–	–	–
Balance at 31 December 2016	7,691	118,769	153,551	61,545	873	–	1,406	(112)	17,697	361,420	37,961	399,381
(Loss) profit for the year	–	–	–	–	–	–	–	–	(98,487)	(98,487)	708	(97,779)
Other comprehensive income for the year	–	–	–	–	–	–	352	–	–	352	150	502
Total comprehensive income (expense) for the year	–	–	–	–	–	–	352	–	(98,487)	(98,135)	858	(97,277)
Issue of shares upon exercise of share options (Note 35(iv))	707	6,901	–	–	–	(1,531)	–	–	–	6,077	–	6,077
Issue of placing shares (Note 35(iii))	1,538	13,842	–	–	–	–	–	–	–	15,380	–	15,380
Transaction costs attributable to issue of shares	–	(638)	–	–	–	–	–	–	–	(638)	–	(638)
Share of effects of equity transaction of a joint venture (Note 21)	–	–	–	–	–	–	–	–	1,676	1,676	–	1,676
Recognition of equity-settled share-based payments (Note 37)	–	–	–	–	–	3,204	–	–	–	3,204	–	3,204
Lapse of share options	–	–	–	–	–	(166)	–	–	166	–	–	–
Acquisition of a non-controlling interest of a subsidiary (Note 42)	–	–	–	–	–	–	–	–	(11,249)	(11,249)	(27,951)	(39,200)
Balance at 31 December 2017	**9,936**	**138,874**	**153,551**	**61,545**	**873**	**1,507**	**1,758**	**(112)**	**(90,197)**	**277,735**	**10,868**	**288,603**

Note:

Pursuant to the special resolution passed in an extraordinary general meeting ("**EGM**") and special general meeting ("**SGM**") held on 24 April 2014 and 3 February 2016 respectively and took effect on 5 June 2014 and 4 February 2016, the directors were authorised to use HK$195,134,000 and HK$15,782,000 credit balances in the contribution surplus account result from the reduction of the paid-up capital of the Company to eliminating or setting off the accumulated losses of the Company. During the year ended 31 December 2016, approximately HK$22,484,000 credit balance in the contribution surplus account was used to eliminate the accumulated losses of the Company.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Cash flows from operating activities			
(Loss) profit before tax:			
– From continuing operations		**(98,869)**	(18,918)
– From discontinued operations	9	**1,050**	4,200
Adjustments for:			
Finance costs		**1,104**	870
Interest income		**(19)**	(16)
Depreciation of property, plant and equipment		**2,164**	1,968
Dividend income from available-for-sale investments		**(27,487)**	(3,634)
Amortisation of prepaid lease payments		**21**	21
Loss on disposal of property, plant and equipment		**–**	129
Gain on disposal of an indirect non-wholly-owned subsidiary	9	**(2,867)**	–
Share of loss of a joint venture		**759**	11,897
Impairment loss of trade receivables		**1,342**	271
Impairment loss of loan and interest receivable		**103**	–
Impairment loss of goodwill		**13,844**	373
Impairment loss of property, plant and equipment		**–**	1,256
Impairment loss of available-for-sale investments		**6,680**	1,320
Reversal of impairment of trade receivables		**(128)**	(1,336)
Fair value gain on financial assets through profit or loss		**–**	(218)
Expense recognised in respect of equity-settled share-based payments		**3,204**	2,136
		(99,099)	319
Movements in working capital			
Decrease in biological assets		**–**	1,577
Increase in other assets		**(12,182)**	–
Increase in inventories		**(506)**	(409)
Decrease (increase) in trade receivables		**71,382**	(48,091)
Increase in deposits, prepayments and other receivables		**(199)**	(687)
Decrease (increase) in financial asset at fair value through profit or loss		**135,672**	(60,033)
Increase in derivative financial instruments		**64**	3
(Increase) decrease in loans and interest receivables		**(11,355)**	37,132
(Decrease) increase in trade and other payables		**(14,077)**	11,915
Increase in trust bank accounts		**(1,956)**	(5,332)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Cash used in operations		**67,744**	(63,606)
Interest received		**19**	16
Interest paid		**(50)**	(168)
Income taxes received		**1,428**	–
Income taxes paid		**(1,861)**	(743)
Net cash generated by (used in) operating activities		**67,280**	(64,501)
Cash flows from investing activities			
Distributions received from available-for-sale investments		**27,487**	3,634
Payments for property, plant and equipment		**(2,385)**	(915)
Purchases of available-for-sale investments		**(5,316)**	(5,044)
Proceeds of capital return from available-for-sale investments		**6,305**	8,499
Net cash inflow on disposal of an indirect non-wholly-owned subsidiary	9	**1,236**	–
Net cash outflow on acquisition of subsidiaries	41	**–**	(23,794)
Net cash generated by (used in) investing activities		**27,327**	(17,620)
Cash flows from financing activities			
Interest paid		**(1,054)**	(702)
Proceeds from issue of shares pursuant to open offer		**–**	19,727
Proceeds from exercise of share options		**6,077**	6,490
Proceeds from placing of shares		**15,380**	11,834
Payment for transaction cost attributable to issue of ordinary shares		**(638)**	(2,406)
(Decrease) increase in amount due to a non-controlling interest		**(29,400)**	29,400
Acquisition of additional interest in a subsidiary	42	**(39,200)**	–
Proceeds from other borrowing		**–**	25,000
Repayment of other borrowing		**(25,000)**	–
Repayment of bank borrowing		**(470)**	(1,530)
Net cash (used in) generated by financing activities		**(74,305)**	87,813

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000 (Restated)
Net increase in cash and cash equivalents		**20,302**	5,692
Cash and cash equivalents at the beginning of year		**73,971**	69,562
Effect of foreign exchange rate changes, net		**20**	(1,283)
Cash and cash equivalents at the end of year		**94,293**	73,971

1. GENERAL INFORMATION

China Demeter Financial Investments Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 22 September 2000 under the Companies Laws of the Cayman Islands.

In 2014, the Company has been deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda and the change of domicile became effective on 8 May 2014 (Bermuda time).

The shares of the Company are listed on the Growth Enterprise Market (the "**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is located at 3/F, Central 88, 88-98 Des Voeux Road Central, Central, Hong Kong.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries (collectively the "**Group**") was involved in the following principal activities:

- manufacturing, development and distribution of feedstock products and related activities in the People's Republic of China (the "**PRC**");
- provision of loan financing in Hong Kong;
- provision of financial services (including advising and dealing in securities and asset management);
- investment in listed and unlisted securities; and
- food and beverage business.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in current year:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 45. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 45, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customer and the related Amendments*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[4]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle*[1]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2015-2017 Cycle*[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 *Financial Instruments* *(continued)*

- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Upon adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial assets. Based on the Group's financial instruments and risk management polices as at 31 December 2017, the directors of the Company anticipate to have potential impact on initial application of HKFRS 9 in respect of the unlisted investments classified as available-for-sale investments as disclosed in note 22. With respects to the Group's unlisted equity investment carried at fair value, the Group has assessed that they will fall within the classification as fair value through profit or loss ("FVTPL") with the irrevocable option at inception to present changes in FVTOCI which will not be recycling to the profit or loss. With respects to the Group's other unlisted fund investments, the Group considered that there's possibility that the Group will need to classify them as FVTPL on transition to HKFRS 9.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 9 *Financial Instruments* *(continued)*

HKFRS 9 only affects the accounting for financial liabilities that are designed at FVTPL. The Group did not have any financial liabilities designated at FVTPL as at 31 December 2017.

In addition, the directors of the Company also anticipate that the application of the expected credit loss model of HKFRS 9 may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 15 ***Revenue from Contracts with Customers*** *(continued)*

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company anticipate that the application of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

HKFRS 16 ***Leases***

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they are owned.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 16 *Leases* *(continued)*

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of approximately HK$4,163,000 as disclosed in note 43. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill *(continued)*

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Investments in subsidiaries presented in the statement of financial position included in note 47 are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and joint ventures *(continued)*

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the account of revenue can be reliably measured, when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Revenue from provision of services is recognised when services are rendered.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

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

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

Dividend income from investments is recognised when the rights to receive payments have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasing *(continued)*

The Group as lessee *(continued)*

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

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Obligations for contributions to retirement plans, including contributions payable under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the PRC central pension scheme, are recognised as an expense in profit or loss as incurred.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment arrangements *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to employees (continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits/accumulated losses.

Share options granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair value of the goods or services received are recognised as expenses (unless the goods and services qualify for recognition as assets).

Taxation

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment, including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method as follows:

Buildings	Over the shorter of term of lease or 5%
Leasehold improvements	20%
Plant and machinery	10%
Furniture, fixtures and office equipment	20 – 33.33%
Motor vehicles	10 – 25%

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

Intangible assets acquired in a business combination *(continued)*

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(continued)*

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

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

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

3. **SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading (or contingent consideration that may be received by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial asset and is included in the revenue.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Changes in the carrying amount of AFS debt instruments relating to interest income calculated using the effective interest method, and changes in foreign exchange rates, if applicable are recognised in profit or loss. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

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

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

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial liability is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading (or contingent consideration that may be paid by an acquirer as part of a business combination) may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liabilities and is included in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a non-controlling interest and bank and other borrowings) are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derivative financial instruments

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

Derecognition

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

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

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimation (see below), that directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Recognition of deferred taxation

No deferred tax assets have been recognised in respect of the estimated unused tax losses of the Group of approximately HK$103,242,000 (2016: HK$17,628,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a material reversal or recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or recognition takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of trade receivables

The Group makes provision for impairment of trade receivables based on an assessment of their recoverability. Provisions are applied to the trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of the trade receivables requires the use of judgements and estimates. Where the final outcome is different from the original estimates, such differences will impact the carrying values of the trade receivables and loss for the impairment in the years in which such estimates have been changed.

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. In determining whether a loan or receivable or a group of loans and receivables is impaired and impairment losses are incurred, the Group considers, inter alia, whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivables. This requires the Group to make estimates about expected future cash flows, and hence they are subject to uncertainty.

5. REVENUE AND OTHER INCOME, OTHER GAINS AND LOSSES

An analysis of the Group's revenue and other income, other gains and losses for the year from continuing operations is as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Revenue		
Sale of feedstock products	**32,110**	23,148
Dividend income from listed equity investments	**204**	442
Loan interest income	**7,305**	6,261
Provision of financial services		
– Commission from securities dealing	**6,289**	2,206
– Placing and underwriting commission	**2,587**	3,668
– Interest income from securities clients	**4,600**	1,950
– Clearing and handling fee income	**294**	64
– Asset management commission	**4**	–
	53,393	37,739
Other income, other gains and losses		
Bank interest income	**19**	16
Dividend income from available-for-sale investments	**27,487**	3,634
Loss on disposal of property, plant and equipment	**–**	(129)
Net foreign exchange loss	**(15)**	(5)
Impairment loss of loan and interest receivable (Note 26)	**(103)**	–
Impairment loss of trade receivables (Note 25)	**(1,342)**	(271)
Reversal of impairment loss of trade receivables (Note 25)	**128**	1,336
Sundry income	**187**	66
	26,361	4,647

6. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

– Agricultural segment comprises the feedstock products business in the PRC;

– Money lending segment comprises provision of loan financing in Hong Kong;

– Financial services segment comprises advising and dealing in securities and asset management; and

– Securities investment segment comprises investment in listed securities.

Two operations (animal husbandry business and provision of food and beverage services segments) were discontinued in the current year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 9. Certain comparative figures have been reclassified to conform with current year's presentation.

In late June 2017, there was a sharp decline in the share price of certain stocks held by a subsidiary of the Company, China Demeter Securities Limited ("**CD Securities**") as collateral securities for its margin clients ("**June Incident**"). As a result of the June Incident, a number of CD Securities' accounts receivable arising from margin financing business became undercollateralised. Following the June Incident and the deterioration of CD Securities' margin loans during and after the June Incident, CD Securities received a letter from the Securities and Futures Commission ("**SFC**"), wherein the SFC, among other things, had raised concern about certain issues on CD Securities' margin loan operations and requirements under the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**Code of Conduct**"). In such connection, the SFC had instructed CD Securities to temporarily refrain from providing further margin lending to its clients and refine its margin financing policy. CD Securities had undertaken to the SFC to address the concerns satisfactorily within a reasonable period of time. The management of CD Securities is currently working towards addressing such concerns.

6. SEGMENT INFORMATION *(continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by operating and reportable segment:

Continuing operations	Agricultural		Money lending		Financial services		Securities investment		Total	
	2017 **HK$'000**	2016 HK$'000 (Restated)	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000 (Restated)
Revenue										
Revenue from external customers	**32,110**	23,148	**7,305**	6,261	**13,774**	7,888	**204**	442	**53,393**	37,739
Inter-segment revenue	**–**	–	**–**	–	**185**	80	**–**	–	**185**	80
Segment revenue	**32,110**	23,148	**7,305**	6,261	**13,959**	7,968	**204**	442	**53,578**	37,819
Elimination									**(185)**	(80)
Group revenue									**53,393**	37,739
Segment (loss) profit	**(2,724)**	(379)	**6,070**	4,704	**(15,394)**	2,543	**(89,063)**	(586)	**(101,111)**	6,282
Other income, other gains and losses									**27,678**	3,711
Impairment loss of available-for-sale investments									**(6,680)**	(1,320)
Share of loss of a joint venture									**(759)**	(11,897)
Finance costs									**(1,104)**	(870)
Central administration costs									**(16,893)**	(14,824)
Loss before tax									**(98,869)**	(18,918)

The accounting policies of the operating segments are the same as the Group's accounting policies as disclosed in note 3. Segment (loss) profit represents the (loss from) profit earned by each segment without allocation of bank interest income, dividend income from available-for-sale investments, net foreign exchange loss and sundry income as included in other income, other gains and losses, impairment loss of available-for-sale investments, share of loss of a joint venture, finance costs and central administration costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment pricing is based on similar terms to those available to other external parties for similar services.

6. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Agricultural		Money lending		Financial services		Securities investment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
		(Restated)								(Restated)
Segment assets	**31,437**	29,632	**109,424**	88,150	**72,866**	162,569	**47,785**	162,522	**261,512**	442,873
Assets relating to discontinued animal husbandry and provision of food and beverage services operations									**303**	866
Investment in a joint venture									**3,574**	2,432
Available-for-sale investments									**25,947**	33,616
Corporate and unallocated assets									**35,213**	26,646
Consolidated assets									**326,549**	506,433
Segment liabilities	**2,885**	7,503	**10**	86	**31,154**	96,591	**–**	–	**34,049**	104,180
Liabilities relating to discontinued animal husbandry and provision of food and beverage services operations									**1,299**	862
Corporate and unallocated liabilities									**2,598**	2,010
Consolidated liabilities									**37,946**	107,052

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than investment in a joint venture, available-for-sale investments, corporate and unallocated assets. Goodwill and intangible asset are allocated to operating segments; and

- all liabilities are allocated to operating segments other than corporate and unallocated liabilities.

6. SEGMENT INFORMATION *(continued)*

Other segment information

Continuing operations	Agricultural		Money lending		Financial services		Securities investment		Total	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)								(Restated)
Amounts included in the measure of segment profit or loss or segment assets										
Depreciation and amortisation	**1,008**	1,103	**105**	73	**591**	196	**–**	–	**1,704**	1,372
Unallocated depreciation									**419**	110
									2,123	1,482
Loss on disposal of property, plant and equipment	**–**	–	**–**	129	**–**	–	**–**	–	**–**	129
Impairment loss of goodwill	**–**	–	**–**	–	**13,844**	–	**–**	–	**13,844**	–
Impairment loss of loan and interest receivable	**–**	–	**103**	–	**–**	–	**–**	–	**103**	–
Impairment of trade receivables	**1,294**	–	**–**	–	**48**	271	**–**	–	**1,342**	271
Reversal of impairment loss of trade receivables	**–**	–	**–**	–	**(128)**	(1,336)	**–**	–	**(128)**	(1,336)
Addition to non-current assets *(Note)*	**11**	90	**227**	310	**31**	42	**–**	–	**269**	442
Unallocated addition to non-current assets *(Note)*									**2,116**	–
									2,385	442

Note: Non-current assets include property, plant and equipment and excluded those relating to discontinued operations.

Geographical information

The Group's continuing operations are located in the PRC and Hong Kong.

6. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

Information about the Group's revenue from continuing operations from external customers is presented based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of assets.

	Revenue from external customers		Non-current assets (Note)	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
PRC	**32,110**	23,148	**5,563**	6,095
Hong Kong	**21,283**	14,591	**3,182**	15,835
Singapore	**–**	–	**3,574**	2,432
	53,393	37,739	**12,319**	24,362

Note: Non-current assets excluded those relating to discontinued operations, financial instruments and deferred tax assets.

Information about major customers

During the years ended 31 December 2017 and 2016, no customers from continuing operations contributed over 10% of the total revenue of the Group.

7. FINANCE COSTS

Continuing operations

	2017	2016
	HK$'000	HK$'000
Interest on bank and other borrowings	**1,104**	870

8. INCOME TAX CREDIT

Continuing operations

	2017	2016
	HK$'000	HK$'000
Current tax:		
PRC Enterprise Income Tax	**7**	30
Hong Kong Profits Tax	**50**	77
	57	107
Over-provision in prior years:		
Hong Kong Profits Tax	**(20)**	(20)
Deferred tax (Note 34)	**(77)**	(448)
Total income tax credit recognised in profit or loss	**(40)**	(361)

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

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 years.

8. INCOME TAX CREDIT *(continued)*

Continuing operations *(continued)*

The income tax credit for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	HK$'000
		(Restated)
Loss before tax from continuing operations	**(98,869)**	(18,918)
Tax at Hong Kong Profits Tax rate of 16.5%	**(16,313)**	(3,122)
Tax effect of expenses not deductible for tax purpose	**6,306**	1,457
Tax effect of income not taxable for tax purpose	**(4,815)**	(899)
Tax effect of share of loss of a joint venture	**125**	1,963
Tax effect of tax losses not recognised	**14,749**	1,523
Utilisation of tax loss previously not recognised	**(4)**	(1,146)
Over-provision in respect of prior years	**(20)**	(20)
Tax reduction	**(30)**	–
Effect on different tax rate of subsidiaries operating in other jurisdictions	**(38)**	(117)
Income tax credit for the year (relating to continuing operations)	**(40)**	(361)

9. DISCONTINUED OPERATIONS

Animal husbandry business

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 an independent third party (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") ("**Wuping Jian Jun**"), a limited liability company established in the 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 assets, liabilities and gain on disposal of Wuping Jian Jun as at the date of disposal are as follows:

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

9. DISCONTINUED OPERATIONS *(continued)*

Food and beverage business

In November 2017, the Group decided to cease the operation of food and beverage business as the financial performance of the business over the past financial year was unsatisfactory. The cessation of operation was effected in order to avoid in making further investment in the business.

The profit (loss) for the year from the discontinued operations (i.e. animal husbandry and food and beverage businesses) included in the consolidated statement of profit or loss and other comprehensive income are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the results of the animal husbandry business and food beverage business as discontinued operations.

	2017			2016		
	Animal husbandry business HK$'000	**Food and beverage business HK$'000**	**Total HK$'000**	Animal husbandry business HK$'000	Food and beverage business HK$'000	Total HK$'000
Revenue	**–**	**3,584**	**3,584**	17,419	6,545	23,964
Cost of sales and services	**–**	**(5,105)**	**(5,105)**	(10,540)	(6,737)	(17,277)
Other income	**–**	**22**	**22**	–	–	–
General and administrative expenses	**(62)**	**(256)**	**(318)**	(34)	(824)	(858)
Impairment loss of property, plant and equipment	**–**	**–**	**–**	(821)	(435)	(1,256)
Impairment loss of goodwill	**–**	**–**	**–**	–	(373)	(373)
	(62)	**(1,755)**	**(1,817)**	6,024	(1,824)	4,200
Gain on disposal of the animal husbandry business	**2,867**	**–**	**2,867**	–	–	–
Profit (loss) for the year from discontinued operations	**2,805**	**(1,755)**	**1,050**	6,024	(1,824)	4,200
Attributable to:						
Owners of the Company	**1,431**	**(897)**	**534**	3,072	(1,115)	1,957
Non-controlling interests	**1,374**	**(858)**	**516**	2,952	(709)	2,243
	2,805	**(1,755)**	**1,050**	6,024	(1,824)	4,200
Profit (loss) for the year from discontinued operations include the following:						
Depreciation	**62**	**–**	**62**	131	376	507
Cash flows from discontinued operations						
Net cash (outflow) inflow from operating activities	**–**	**(151)**	**(151)**	(53)	464	411
Net cash outflow from investing activities	**–**	**–**	**–**	–	(473)	(473)
Net cash outflow	**–**	**(151)**	**(151)**	(53)	(9)	(62)

10. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2017 HK$'000	2016 HK$'000 (Restated)
Loss for the year from continuing operations has been arrived at after charging:		
Employee benefits expense (excluding directors' emoluments)		
– Salaries and other benefits	**11,533**	7,722
– Contributions to retirement benefits schemes	**480**	258
– Equity-settled share-based payments	**1,763**	603
Directors' emoluments	**3,906**	2,605
Total staff costs	**17,682**	11,188
Cost of inventories recognised as an expense (included in cost of sales and services)	**29,053**	19,593
Auditors' remuneration	**1,200**	720
Amortisation of prepaid lease payments	**21**	21
Depreciation of property, plant and equipment	**2,102**	1,461
Equity-settled share-based payments granted to consultant	**1,095**	1,003
Net foreign exchange loss	**15**	5
Minimum lease payments paid under operating leases in respect of land and buildings (Note)	**2,264**	902

Note: The amount excludes rental expense relating to a staff's quarter amounting to approximately HK$466,000 (2016: HK$616,000) which has been included in "Salaries and other benefits" within employees benefits expense disclosed above.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to each of the directors of the Company and the chief executive are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2017						
Executive directors						
Mr. Zhou Jing (Chairman) (Note (i))	–	240	–	–	20	260
Mr. Ng Man Chun Paul (Chief Executive Officer) ("CEO") (Note (ii))	–	1,200	21	173	300	1,694
Mr. Lam Chun Kei	–	500	18	–	270	788
Mr. Ng Ting Ho (Notes (iii) and (viii))	–	228	8	173	–	409
Non-executive director						
Mr. Ng Ting Ho (Notes (iii) and (viii))	65	270	10	–	50	395
Independent non-executive directors						
Mr. Chan Hin Hang (Note (iv))	16	–	–	–	–	16
Mr. Yum Edward Liang Hisen (Note (iv))	16	–	–	–	–	16
Mr. Lee Kin Fai (Note (v))	104	–	–	–	–	104
Ms. Cheng Lo Yee (Note (v))	104	–	–	–	–	104
Mr. Hung Kenneth	120	–	–	–	–	120
	425	2,438	57	346	640	3,906

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Contributions to retirement benefits schemes HK$'000	Equity-settled share option expense HK$'000	Discretionary bonuses HK$'000	Total HK$'000
2016						
Executive directors						
Mr. Zhou Jing (Chairman) (Note (i))	–	838	–	265	70	1,173
Mr. Ng Man Chun Paul (CEO) (Note (ii))	–	153	–	–	–	153
Mr. Lam Chun Kei	–	300	14	265	21	600
Mr. Ng Ting Ho (Note (iii))	–	259	10	–	38	307
Non-executive director						
Mr. Lin Chuen Chow Andy (Note (vi))	12	–	–	–	–	12
Independent non-executive directors						
Mr. Lee Kin Fai (Note (v))	120	–	–	–	–	120
Ms. Cheng Lo Yee (Note (v))	120	–	–	–	–	120
Mr. Hung Kenneth	120	–	–	–	–	120
	372	1,550	24	530	129	2,605

Notes:

(i) Mr. Zhou Jing has ceased to be the CEO but remained as an executive director and the chairman of the Company with effect from 15 November 2016.

(ii) Mr. Ng Man Chun Paul has been appointed as an executive director and CEO of the Company on 15 November 2016.

(iii) Mr. Ng Ting Ho was appointed as an executive director on 5 February 2016 and redesignated from an executive director to a non-executive director with effect from 16 June 2017.

(iv) Appointed on 13 November 2017.

(v) Resigned on 13 November 2017.

(vi) Resigned on 5 February 2016.

(vii) The emoluments shown above for executive directors were mainly for their services in connection with the management of the affairs of the Company and the Group. The fees for the non-executive director were mainly for his services as director of the Company. The emoluments for independent non-executive directors were mainly for their services as directors of the Company.

(viii) The emolument shown above included approximately HK$65,000 for his service as a non-executive director of the Company and approximately HK$330,000 in connection with his other service to a subsidiary undertaking.

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2017 and 2016. No inducement payments to join or upon joining the Group or as compensation for loss of office were paid or payable to any director or the chief executive officer for the years ended 31 December 2017 and 2016.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme and basis are set out in note 37.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included, two (2016: two) directors of the Company, details of whose remuneration are set out in note 11 above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017	2016
	HK$'000	HK$'000
Salaries allowance and benefits in kind	**3,619**	2,680
Contributions to retirement benefits schemes	**48**	42
Equity-settled share option expense	**399**	402
	4,066	3,124

12. FIVE HIGHEST PAID EMPLOYEES *(continued)*

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

	Number of employees	
	2017	2016
Emolument bands		
Nil – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**2**	1
	3	3

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 37 to the consolidated financial statements.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

14. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

Loss

	2017 HK$'000	2016 HK$'000
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	**(98,487)**	(17,683)

Number of shares

	2017 '000	2016 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**881,425**	587,233

14. LOSS PER SHARE *(continued)*

From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Loss for the year attributable to owners of the Company	**(98,487)**	(17,683)
Less: profit for the year attributable to owners of the Company from discontinued operations	**(534)**	(1,957)
Loss for the year attributable to owners of the Company for the purpose of calculating basic and diluted loss per share from continuing operations	**(99,021)**	(19,640)

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

14. LOSS PER SHARE *(continued)*

From discontinued operations

	2017	2016 (Restated)
Earnings per share:		
– Basic (HK cents)	**0.06**	0.33
– Diluted (HK cents)	**0.06**	0.33

	2017 HK$'000	2016 HK$'000
Earnings:		
Earnings for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share from discontinued operations	**534**	1,957

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

The computation of diluted (loss) earnings per share for the years ended 31 December 2017 and 2016 did not assume the exercise of potential ordinary shares granted under the Company's share options scheme outstanding at year end since their exercise would have an anti-dilutive effect.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
Balance at 1 January 2016	151	30,296	6,422	8,107	1,179	543	46,698
Additions	–	–	657	90	168	–	915
Acquisition of subsidiaries (Note 41(a))	–	–	519	–	353	293	1,165
Disposals	(151)	–	(135)	–	(78)	–	(364)
Effect of foreign currency exchange difference	–	(1,914)	(392)	(556)	(22)	(34)	(2,918)
Balance at 31 December 2016	–	28,382	7,071	7,641	1,600	802	45,496
Additions	–	–	–	11	31	2,343	2,385
Disposal of a subsidiary (Note 9)	–	(22,847)	(2,471)	(1,443)	–	–	(26,761)
Effect of foreign currency exchange difference	–	650	276	529	24	38	1,517
Balance at 31 December 2017	–	6,185	4,876	6,738	1,655	3,183	22,637
Accumulated depreciation and impairment							
Balance at 1 January 2016	(151)	(26,969)	(3,995)	(5,952)	(588)	(406)	(38,061)
Depreciation expense	–	(256)	(793)	(493)	(291)	(135)	(1,968)
Eliminated on disposals	151	–	54	–	30	–	235
Impairment loss recognised in profit or loss (Note (i) and Note 20)	–	(821)	(313)	–	(122)	–	(1,256)
Effect of foreign currency exchange difference	–	1,752	270	438	21	29	2,510
Balance at 31 December 2016	–	(26,294)	(4,777)	(6,007)	(950)	(512)	(38,540)
Depreciation expense	–	(214)	(591)	(469)	(341)	(549)	(2,164)
Eliminated on disposal of a subsidiary (Note 9)	–	22,669	2,472	1,423	–	–	26,564
Effect of foreign currency exchange difference	–	(514)	(165)	(426)	(24)	(34)	(1,163)
Balance at 31 December 2017	–	(4,353)	(3,061)	(5,479)	(1,315)	(1,095)	(15,303)
Carrying amounts							
Balance at 31 December 2017	–	1,832	1,815	1,259	340	2,088	7,334
Balance at 31 December 2016	–	2,088	2,294	1,634	650	290	6,956

Note:

(i) During the year ended 31 December 2016, certain buildings relating to the PRC animal husbandry business as included in property, plant and equipment were physically damaged and accordingly, an impairment loss of approximately HK$821,000 to these assets had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company		Principal activities
			Directly	Indirectly	
Bright Peak Investment Limited	British Virgin Islands ("**BVI**")	United States dollar ("**US$**") 1	–	100%	Investment holding
Broad Sound Enterprise Ltd	BVI	US$1	–	100%	Investment holding
City Ally Holdings Limited	BVI	US$1	100%	–	Investment holding
Delight Sky International Limited	BVI	US$1	–	100%	Investment holding
East Gain Enterprise Limited	BVI	US$1	–	100%	Investment holding
East Shine Group Limited	BVI	US$1	100%	–	Investment holding
Eternal Speed International Limited	BVI	US$1	–	100%	Investment holding
Fast Creation Group Limited	BVI	US$1	–	100%	Investment holding
Golden Harvest Holdings Limited	BVI	US$1	–	100%	Investment holding
Keen Profit Development Limited	BVI	US$1	–	100%	Investment holding
Profit Network Asia Inc. ("**Profit Network**")	BVI	US$600	–	100%	Investment holding
Rich Sheen International Ltd	BVI	US$1	–	100%	Investment holding
Supreme Falcon International Limited	BVI	US$1	–	100%	Investment holding
Way Union Development Limited	BVI	US$1	–	100%	Investment holding
CD Securities	Hong Kong	HK$103,000,000	–	100%	Licensed to carry on regulated activity in connected with dealing in securities, advising on securities and asset management

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ registration/ operations	Paid up issued share capital/ registered capital	Proportion of ownership interest held by the Company Directly	Indirectly	Principal activities
Delight Sky Finance Limited	Hong Kong	HK$1,000,000	–	100%	Money lending
Tony China Limited	Hong Kong	HK$40,655,000	51%	–	Investment holding
Town Ally Enterprise Limited	Hong Kong	HK$1	–	100%	Investments in securities
Town Ally Investment Company Limited	Hong Kong	HK$1	–	100%	Provision of administrative services
Treasure Easy Limited	Hong Kong	HK$25,000	–	51%	Food and beverage business
Way Union Finance Limited	Hong Kong	HK$100	–	100%	Money lending
廈門市東岳貿易有限公司 Xiamen Dongyu Trading Company Limited*	PRC	US$4,500,000	–	51%	Investment holding
龍岩市東岳生物飼料有限公司 (“Longyan Dongyu Bio-feedstock Company Limited”)*	PRC	RMB18,000,000	–	52.96%	Trading, development and manufacturing of feedstock products
福建龍岩市東華農業綜合開發有限公司 (“Fujian Oriental Unicorn Agricultural Company Limited”)*	PRC	RMB1,000,000	–	51%	Eco-breeding, animal pharmaceuticals and terminal marketing of agricultural products

* English names are translated for identification purpose only

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities during both years.

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests held by the non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Profit Network and its subsidiary ("**Profit Network Group**")	BVI and Hong Kong	**0%**	49%	**771**	1,281	**–**	27,180
Individually immaterial subsidiaries with non-controlling interests	N/A					**10,868**	10,781
						10,868	37,961

The Group had no subsidiaries which have material non-controlling interests as at 31 December 2017.

Summarised financial information in respect of Profit Network Group for the period ended 31 December 2016 is set out below. The summarised financial information below represents amount before intragroup eliminations.

Profit Network Group

	2016 HK$'000
Current assets	171,661
Non-current assets	1,753
Current liabilities	117,945
Non-current liabilities	–

16. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

	Period ended 31 December 2016 HK$'000
Revenue	7,968
Other income, other gains and losses	1,133
Expenses	(6,455)
Income tax expense	(31)
Profit for the period	2,615
Other comprehensive income for the period	–
Total comprehensive income for the period	2,615
Profit attributable to:	
– Owners of the Company	1,334
– Non-controlling interest	1,281
	2,615
Total comprehensive income attributable to:	
– Owners of the Company	1,334
– Non-controlling interest	1,281
	2,615
Net cash outflow from operating activities	(37,356)
Net cash outflow from investing activities	(95)
Net cash inflow from financing activities	58,470
Net increase in cash and cash equivalents	21,019

17. PREPAID LEASE PAYMENTS

	2017	2016
	HK$'000	HK$'000
Balance at beginning of year	908	991
Amortisation	(21)	(21)
Effect of foreign currency exchange differences	45	(62)
Balance at end of year	932	908
Analysed for reporting purposes as:		
Current assets (included in deposits, prepayments and other receivables)	21	21
Non-current assets	911	887
	932	908

The prepaid lease payments are in connection with the land use right situated in the PRC under a lease term of 50 years.

18. GOODWILL

	2017 HK$'000	2016 HK$'000
Cost		
At 1 January	**15,108**	1,264
Additional amounts recognised from business combinations occurring during the year (Note 41(a))	**–**	13,844
At 31 December	**15,108**	15,108
Accumulated impairment losses		
At 1 January	**(1,264)**	(891)
Impairment loss recognised in the year (Note 20)	**(13,844)**	(373)
At 31 December	**(15,108)**	(1,264)
Carrying amounts		
At 31 December	**–**	13,844

19. INTANGIBLE ASSET

	2017 HK$'000	2016 HK$'000
At 1 January	**500**	–
Additional amounts recognised from business combination occurring during the year (Note 41(a))	**–**	500
At 31 December	**500**	500

19. INTANGIBLE ASSET *(continued)*

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

At the end of the reporting period, the trading rights with indefinite useful life are allocated to the financial services business cash-generating unit ("**CGU**") for impairment assessment (Note 20).

20. IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL, INTANGIBLE ASSET AND PROPERTY, PLANT AND EQUIPMENT

Goodwill has been allocated to the following CGU for impairment testing:

	2017 **HK$'000**	2016 HK$'000
CGU in financial services business	**–**	13,844

The basis of the recoverable amount of the above CGU and their major underlying assumptions are summarised below:

CGU in financial services business

The recoverable amount of this CGU is determined based on a value in use calculation using cash flow projection based on financial budgets approved by the management covering a period of 5 years and pre-tax discount rate of 20% (2016: 18%). Cash flows beyond the 5-year period have been extrapolated using a steady growth rate of 3% (2016: 3%). The discount rates used reflects specific risks relating to the relevant business. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows which include budgeted revenue and operating costs which are determined from past performance and management's expected market development, and taking into consideration the temporary refrainment from providing further margin financing and assessment of timing of implementing measures in addressing the concerns raised by the SFC relating to the June Incident.

Based on the value in use calculation, the directors considered that the recoverable amount of this CGU was found to be less than its carrying amount. Accordingly, impairment loss of goodwill of approximately HK$13,844,000 has been recognised for the year ended 31 December 2017 (2016: Nil).

20. IMPAIRMENT TESTING FOR CGUS CONTAINING GOODWILL, INTANGIBLE ASSET AND PROPERTY, PLANT AND EQUIPMENT *(continued)*

CGU in food and beverage business

The recoverable amount of this CGU was determined based on value in use calculation. The key assumptions for the value in use calculation were those regarding the discount rate and growth in revenue and direct costs during the year. Management estimated the discount rate of 14.37% using pre-tax rate that reflect current market assessments of the time value of money and the risk specific to the CGU. Changes in selling price and direct costs were based on past experience and expectations of changes in the market.

The value in use calculation was derived from cash flow projection based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-year period had been extrapolated using a steady growth rate of 3% per annum.

Based on the value in use calculation, the directors considered that the recoverable amount of this CGU was found to be less than its carrying amount. Accordingly, impairment losses of approximately HK$373,000 on goodwill and approximately HK$435,000 on property, plant and equipment allocated to this CGU had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

21. INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	2017	2016
	HK$'000	HK$'000
Cost of investment in a joint venture	**15,000**	15,000
Share of post-acquisition loss	**(13,374)**	(12,615)
Share of other comprehensive income	**272**	47
Effects of equity transaction of a joint venture	**1,676**	–
	3,574	2,432

21. INVESTMENT IN A JOINT VENTURE *(continued)*

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportions of ownership interest held by the Group		Principal activities
			2017	2016	
BLVD Cayman Limited	Cayman Islands	Singapore	**50%**	50%	Operating restaurants, cafe and takeaway outlets in Singapore

Summarised financial information of BLVD Cayman Limited and its subsidiaries ("BLVD Group")

Summarised financial information in respect of BLVD Group is set out below. The summarised financial information below represents amounts shown in BLVD Group's consolidated financial statements prepared in accordance with HKFRS. BLVD Group is accounted for using equity method in these consolidated financial statements.

BLVD Group

	2017 HK$'000	2016 HK$'000
Current assets	**4,837**	7,662
Non-current assets	**18,348**	10,757
Current liabilities	**(16,036)**	(10,436)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**633**	4,570
Current financial liabilities (excluding trade and other payables and provisions)	**(4,246)**	(6,946)

21. INVESTMENT IN A JOINT VENTURE *(continued)*

BLVD Group *(continued)*

	2017 HK$'000	2016 HK$'000
Revenue	**39,117**	29,486
Loss for the year attributable to equity owners	**(1,389)**	(23,924)
Other comprehensive income for the year attributable to equity owners	**450**	554
Total comprehensive expense for the year attributable to equity owners	**(939)**	(23,370)

The above loss for the year include the following:

	2017 HK$'000	2016 HK$'000
Impairment loss of intangible assets	**–**	18,672
Depreciation	**2,308**	2,361
Interest expense	**628**	645

21. INVESTMENT IN A JOINT VENTURE *(continued)*

BLVD Group *(continued)*

Reconciliation of the above summarised financial information to the carrying amount of the interest in BLVD Group recognised in the consolidated financial statements:

	2017 **HK$'000**	2016 HK$'000
Net assets of BLVD Group	**7,149**	7,983
Attributable to non-controlling interests of BLVD Group (Note)	**–**	(3,249)
Net assets of BLVD Group attributable to the Group	**7,149**	4,734
Proportion of the Group's ownership interest	**50%**	50%
	3,574	2,367
Other adjustment	**–**	65
Carrying amount of the Group's interest in BLVD Group	**3,574**	2,432

Note:

During the year ended 31 December 2017, BLVD Cayman Limited's ownership interest in its operating subsidiary was increased from 80% to 100%. As a result of this equity transaction in the BLVD Group, the Group's share of net assets of the BLVD Group was increased by an amount of approximately HK$1,676,000, due mainly to the purchase consideration paid by BLVD Cayman Limited for the additional ownership interest was lower than the carrying amount of non-controlling interest acquired.

22. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2017 HK$'000	2016 HK$'000
Unlisted investments:		
Equity securities at fair value	–	–
Fund investment at fair value	7,188	7,188
Fund investments at cost less impairment	18,759	26,428
	25,947	33,616

Available-for-sale investments represented the Group's investments in unlisted funds and equity securities. The above unlisted equity securities and unlisted fund investments carried at fair value of Nil and approximately HK$7,188,000 (2016: Nil and approximately HK$7,188,000) respectively as at 31 December 2017 represent investments in equity securities issued by a private company and investment in a private fund which incorporated in the Cayman Islands, and are measured at fair value.

The unlisted fund investments carried at cost less impairment are held for an identified long term strategic purpose so the Group does not intend to dispose them in the foreseeable future. It is measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that fair values cannot be measured reliably. The unlisted fund investments carried at cost less impairment represents the Group's investments in private limited partnerships established in the Cayman Islands. During the year ended 31 December 2017, the Group received distributions of approximately HK$33,792,000 (2016: HK$12,133,000), out of which approximately HK$6,305,000 (2016: HK$8,499,000) was return of capital. Impairment loss of approximately HK$6,680,000 (2016: HK$247,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017 as share of net assets attributable to the Group's interest in these unlisted funds was reduced below the Group's carrying amount of the investment in the funds.

23. OTHER ASSETS

Other assets included statutory deposits with the Stock Exchange and clearing house amounting to approximately HK$9,475,000 (2016: HK$230,000) as at 31 December 2017 and are non-interest bearing.

24. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**1,690**	1,175
Finished goods	**653**	521
	2,343	1,696

25. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables		
– Agricultural and other business	**15,221**	9,429
Less: allowance for doubtful debts	**(1,294)**	–
	13,927	9,429
– Financial services business		
– Dealing in securities		
– Cash clients	**96**	2,548
– Margin clients	**5,597**	76,863
– Clearing house	**2,911**	6,216
	8,604	85,627
Less: allowance for doubtful debts	**(74)**	(905)
	8,530	84,722
	22,457	94,151

25. TRADE RECEIVABLES *(continued)*

(a) Agricultural and other business

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date:

	2017	2016
	HK$'000	HK$'000
0 – 90 days	**9,217**	8,179
91 – 180 days	**4,072**	1,250
181 – 365 days	**638**	–
	13,927	9,429

The Group's trading terms with its customers from the agricultural business are mainly on credit. The Group generally allows a credit period of 60 days (2016: 30 to 90 days) to its trade customers. The Group seeks to maintain strict control over its outstanding receivables and the management regularly reviews the overdue balances.

The management considers that the trade receivables that were neither past due nor impaired relate to a wide range of customers and to be of a good credit quality.

Trade receivables which are past due at the end of the reporting period for which the Group had not recognised an allowance for doubtful debts relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral or other credit enhancements over these balances nor did it have a legal right of offset against any amounts owed by the Group to the counterparty.

25. TRADE RECEIVABLES *(continued)*

(a) Agricultural and other business *(continued)*

Aging of trade receivables which are past due but not impaired

	2017 HK$'000	2016 HK$'000
Overdue by:		
1 – 90 days	**6,951**	1,250
Over 90 days	**867**	–
	7,818	1,250

Movements in the allowance for doubtful debts

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**–**	–
Impairment losses recognised on receivables	**1,294**	–
Balance at end of the year	**1,294**	–

Included in the allowance for doubtful debts are individually impaired trade receivables with aggregate balance of approximately HK$1,294,000 (2016: Nil). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

(b) Financial services business

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

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

25. TRADE RECEIVABLES *(continued)*

(b) Financial services business *(continued)*

Margin clients are required to pledge securities collateral to the Group in order to obtain the margin facilities for securities trading. At 31 December 2017, loans to margin clients are secured by clients' securities pledged as collateral with market value of approximately HK$956,000 (2016: HK$148,627,000). Management has assessed the market values of the pledged securities of each individual client who has margin shortfall at the end of each reporting period. The margin loans are repayable on demand and bear variable interest at commercial rates. No aged analysis is disclosed as, in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of securities margin business.

The ageing analysis of the trade receivables, net of allowance for doubtful debts, arising from cash clients and clearing house, including those which are past due but not impaired at the end of each of the reporting period, based on the trade date are as follows:

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**2,911**	7,588
Past due but not impaired:		
Less than 1 month	**–**	225
1 to 3 months	**–**	–
Over 3 months	**22**	46
	2,933	7,859

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

Receivables that were past due but not impaired at the end of the reporting period relate to independent clients that have good track records with the Group or are subsequently settled. When cash clients fail to settle on the settlement date, the Group has the right to sell the purchased securities of the respective transaction. Based on past experience, management believes that no impairment allowance is necessary after taking into consideration the recoverability from the purchased securities and past collection history of each client.

25. TRADE RECEIVABLES *(continued)*

(b) Financial services business *(continued)*

Movements in the allowance for doubtful debts

	2017	2016
	HK$'000	HK$'000
Balance at beginning of the year	**905**	–
Acquisition of subsidiaries (Note 41(a))	**–**	1,970
Impairment losses recognised on receivables	**48**	271
Written-off	**(751)**	–
Amounts recovered during the year	**(128)**	(1,336)
Balance at end of the year	**74**	905

At 31 December 2017, additional impairment allowances of approximately HK$48,000 (2016: approximately HK$271,000) were individually determined and has been made for cash clients with an aggregate outstanding balance of approximately HK$751,000 (2016: HK$717,000). The aggregate outstanding balance of approximately HK$751,000 was written off during the year (2016: Nil). During the year ended 31 December 2017, impairment loss of trade receivables of approximately HK$128,000 (2016: HK$1,336,000) was recovered and reversed.

26. LOANS AND INTEREST RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Loans and interest receivables	**97,083**	85,728
Less: provision for impairment	**(103)**	–
	96,980	85,728
Analysed as:		
Current	**85,041**	52,646
Non-current	**11,939**	33,082
	96,980	85,728

26. LOANS AND INTEREST RECEIVABLES *(continued)*

The Group seeks to maintain strict control over its outstanding loans and interest receivables so as to minimise credit risk. The granting of loans is subject to approval by the credit committee, whilst overdue balances are reviewed regularly for recoverability. At 31 December 2017, loans receivables are charging on effective interest rates mutually agreed with the contracting parties, ranging from approximately 5% to 14% (2016: 4% to 10%) per annum.

At 31 December 2017, loans and interest receivables of approximately HK$8,495,000 (2016: approximately HK$8,698,000) were secured by a property in Hong Kong.

Included in the loans and interest receivables arising from the ordinary course of business of money lending as at 31 December 2016 of approximately HK$2,000,000 was an unsecured loan principal due from BLVD Cayman Limited, a joint venture of the Group, interest-bearing at 8% per annum, and repayable within one year. Interest income of approximately HK$31,000 (2016: HK$65,000) from BLVD Cayman Limited has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017. The loan was fully settled during the year.

A maturity profile of the loans and interest receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	2017 **HK$'000**	2016 HK$'000
0-90 days	**5,241**	12,911
91-180 days	**17,745**	31,926
Over 180 days	**73,994**	40,891
	96,980	85,728

26. LOANS AND INTEREST RECEIVABLES *(continued)*

The aging analysis of loans and interest receivables that are not considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**96,958**	85,728
Past due but not impaired	**22**	–
	96,980	85,728

Loans and interest receivables that were neither past due nor impaired relate to diversified customers for whom there were no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loans and interest receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Past due but not impaired relate to loan and interest receivable owed from a customer and was subsequently settled.

Movements in the Group's impairment loss recognised of loan and interest receivables are as follows:

	2017 HK$'000	2016 HK$'000
Balance at beginning of the year	**–**	–
Impairment loss recognised	**103**	–
Balance at end of the year	**103**	–

As at 31 December 2017, loan and interest receivable of approximately HK$103,000 (2016: Nil) was individually impaired. The amount of the provision was approximately HK$103,000 (2016: Nil) as at 31 December 2017. This was related to a customer for whom the directors are of the view that the collection of this loan and interest receivable was not probable.

27. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**1,932**	2,319
Deposits and other receivables (Note)	**13,763**	12,348
	15,695	14,667
Current portion of prepaid lease payments	**21**	21
	15,716	14,688

Note:

Included in deposits and other receivables at 31 December 2017 was a deposit of HK$4,000,000 paid to BLVD Cayman Limited.

On 14 November 2017, Eternal Speed International Limited ("**Eternal Speed**"), an indirect wholly-owned subsidiary of the Company, and BLVD Cayman Limited entered into the subscription agreement pursuant to which Eternal Speed has conditionally agreed to subscribe for, and BLVD Cayman Limited has conditionally agreed to issue, the subscription shares, at the subscription price of HK$12,000,000. HK$4,000,000 was paid by the Group to BLVD Cayman Limited as deposit pursuant to the terms of the subscription agreement. Upon closing, Eternal Speed will hold 75% of the enlarged issued share capital of BLVD Cayman limited and BLVD Group will become subsidiaries of the Company.

Pursuant to the terms of the subscription agreement, the deposit paid by Eternal Speed to BLVD Cayman Limited shall be treated as a shareholder's loan to BLVD Cayman Limited in the event that any of the conditions precedent is not fulfilled or (if applicable) waived in full at or before the long stop date. The potential loan advance constitutes a discloseable transaction of the Company under the GEM Listing Rules and the subscription as a whole constitutes a major transaction of the Company under the GEM Listing Rules.

On 15 January 2018, Eternal Speed and BLVD Cayman Limited entered into the deed of termination pursuant to which the parties have agreed to terminate the subscription agreement with immediate effect and confirmed neither party had any claim against the other party in connection with such termination.

Upon the execution of the deed of termination, Eternal Speed and BLVD Cayman Limited also entered into a loan agreement to formalise the advance of a shareholder's loan in the principal amount of HK$4,000,000 by Eternal Speed to BLVD Cayman Limited (being the deposit paid under the subscription agreement) with effect from 15 January 2018, being the date of the deed of termination. The principal amount of the loan bears interest at a rate of 9% per annum and is unsecured and repayable on demand.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Held-for-trading investments		
Equity securities listed in Hong Kong	**14,983**	150,725

29. CASH AND CASH EQUIVALENTS/TRUST BANK ACCOUNTS

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	**94,293**	73,971
Trust bank accounts	**28,954**	26,998
	123,247	100,969

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

29. CASH AND CASH EQUIVALENTS/TRUST BANK ACCOUNTS *(continued)*

At the end of the reporting period, the cash and cash equivalents and trust bank accounts of the Group denominated in RMB amounted to approximately HK$324,000 (2016: HK$493,000). RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

30. TRADE AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Trade payables		
– Agricultural and other business (Note (i))	**2,894**	1,971
– Financial services business (Note (ii))		
Dealing in securities		
– Cash clients	**24,243**	5,964
– Margin clients	**5,582**	8,844
– Clearing house	**–**	25,243
Asset management	**782**	–
Other payables and accruals	**4,435**	9,805
	37,936	51,827

30. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(i) The following is an aged analysis of trade payables from agricultural and other business, presented based on invoice date at the end of the reporting period:

	2017	2016
	HK$'000	HK$'000
0 – 90 days	**1,292**	1,971
91 – 180 days	**163**	–
Over 180 days	**1,439**	–
	2,894	1,971

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

Trade payables to clients bear variable interest at commercial rates, and are repayable on demand subsequent to settlement date. No aged analysis is disclosed as, in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of business. At 31 December 2017, the trade payables amounting to approximately HK$28,954,000 (2016: HK$26,998,000) were payable to clients in respect of the trust and segregated bank balances received which are held for clients in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these payables with the deposits placed.

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	2016
	HK$'000	HK$'000
Call options	**–**	6

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

32. AMOUNT DUE TO A NON-CONTROLLING INTEREST

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

33. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Bank borrowing	–	470
Other borrowing	–	25,000
	–	25,470

Notes:

(i) The bank borrowing of the Group carried interest rate at 2.5% per annum below the bank's Hong Kong dollars best lending rate, denominated in HK$ and guaranteed by a non-controlling shareholder and director of a subsidiary as at 31 December 2016.

(ii) The other borrowing carried fixed interest rate at 8.5% per annum and denominated in HK$ as at 31 December 2016.

34. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2017 HK$'000	2016 HK$'000
Deferred tax assets	(88)	(11)

34. DEFERRED TAXATION *(continued)*

The following are the major deferred tax (assets) liabilities balances recognised and movements thereon during the current and prior years:

	Accelerated (decelerated) tax depreciation	Unrealised fair value gains on financial assets at fair value through profit or loss	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2016	–	403	403
Acquisition of a subsidiary (Note 41(a))	34	–	34
Credit to profit or loss	(45)	(403)	(448)
At 31 December 2016 and 1 January 2017	(11)	–	(11)
Credit to profit or loss	(77)	–	(77)
At 31 December 2017	(88)	–	(88)

Under the PRC Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. At 31 December 2017, deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences relating to the unremitted earnings of approximately RMB3.5 million from the Group's subsidiaries established in the PRC as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

At the end of the reporting period, no deferred tax asset has been recognised in respect of the estimated unused tax losses of approximately HK$10,477,000 arising from subsidiaries operating outside Hong Kong which are available for setting off against future taxable profit of that subsidiary and due to expire within one to five years and estimated unused tax losses of approximately HK$92,765,000 available for offset against future profits that may be carried forward indefinitely due to unpredictability of future profit streams.

35. SHARE CAPITAL

Ordinary shares of HK$0.01 each	**Number of shares** '000	**Share capital** HK$'000
Authorised:		
At 1 January 2016	100,000,000	1,000,000
Share consolidation (Note (i))	(80,000,000)	–
Share sub-division (Note (i))	80,000,000	–
At 31 December 2016 and 31 December 2017	**100,000,000**	**1,000,000**
Issued and fully paid:		
At 1 January 2016	1,972,654	19,727
Capital reorganisation (Note (i))	(1,578,123)	(15,782)
Issue of shares pursuant to open offer (Note (ii))	197,265	1,973
Issue of shares upon exercise of share options (Note (iv))	59,000	590
Issue of placing shares (Note (iii))	118,340	1,183
At 31 December 2016 and 1 January 2017	769,136	7,691
Issue of placing shares (Note (iii))	153,800	1,538
Issue of shares upon exercise of share options (Note (iv))	70,660	707
At 31 December 2017	**993,596**	**9,936**

35. SHARE CAPITAL *(continued)*

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.

(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 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 placees 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.

On 21 April 2017, the Company completed the placing of an aggregate of 153,800,000 ordinary shares of the Company of HK$0.01 each to not less than six placees through placing agent at HK$0.10 per ordinary share. The net proceeds from the placing of shares amounted to approximately HK$14,742,000.

35. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(iv) 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.

During the year ended 31 December 2017, 70,660,000 ordinary shares were issued upon the exercise of a total of 70,660,000 share options at exercise price HK$0.086 per share, giving rise to aggregate net proceeds of approximately HK$6,077,000.

36. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 86 of the consolidated financial statements.

Available-for-sale investments revaluation reserve

The available-for-sale investments revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amount reclassified to profit or loss when those available-for-sale investments are disposed of or are determined to be impaired.

Capital reserve

The capital reserve arises from (i) capitalisation of a loan and represents the difference between the amount due to a former beneficial shareholder capitalised and the nominal value of shares; and (ii) the expiry of conversion option of convertible bonds and warranty.

Share options reserve

The share options reserve comprises the portion of the grant date fair value of unexercised share options granted to executive directors, employees and consultants of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

36. RESERVES *(continued)*

PRC statutory reserve

According to the relevant laws and regulations in the PRC, each of the PRC subsidiaries is required to appropriate at least 10% of its after-tax profit, based on the PRC statutory financial statements prepared in accordance with the generally accepted accounting principles ("**GAAP**") and financial regulations applicable to PRC enterprises, to the general reserve until the balance of the fund reaches 50% of the PRC subsidiary's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The general reserve fund can be utilised to offset the prior years' losses, or be utilised to increase the capital on the condition that the general reserve shall be maintained at a minimum of 25% of the registered capital after such increase.

37. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "**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 Share Option Scheme, the board of directors of the Company may grant options to eligible persons, including directors of the Company and its subsidiaries, 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 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 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 maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 Share Option Scheme will remain in force for a period of ten years commencing from 30 September 2013.

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The subscription price in respect of any particular option shall be such price as determined by the board of directors 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 Share Option Scheme.

The purpose of the 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).

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Details of specific categories of the share options granted by the Company are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$	Weighted average fair value at grant date HK$
2014	12 August 2014	12 August 2014 to 11 August 2016	0.4948 per share (Note (i))	0.17 (Note (i))
2016	10 June 2016	10 June 2016 to 9 June 2017	0.1100 per share	0.04
2017 April	7 April 2017	7 April 2017 to 6 April 2018	0.1072 per share	0.02
2017 November	21 November 2017	21 November 2017 to 20 November 2018	0.0860 per share	0.02

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

The following table discloses movements of the Company's share options during the current and prior year:

Name of Grantee	Option Type	Date of Grant	Exercisable Period	Exercise price per share	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2017
Directors:									
Mr. Ng Man Chun Paul	2017 April	7 April 2017	7 April 2017 to 6 April 2018	HK$0.1072	–	7,690,000	–	–	7,690,000
Mr. Ng Ting Ho	2017 April	7 April 2017	7 April 2017 to 6 April 2018	HK$0.1072	–	7,690,000	–	–	7,690,000
Sub-total					–	15,380,000	–	–	15,380,000
Employees	2017 April	7 April 2017	7 April 2017 to 6 April 2018	HK$0.1072	–	15,380,000	–	(7,690,000)	7,690,000
	2017 November	21 November 2017	21 November 2017 to 20 November 2018	HK$0.0860	–	38,410,000	(38,410,000)	–	–
Sub-total					–	53,790,000	(38,410,000)	(7,690,000)	7,690,000
Other eligible persons:									
Consultants	2017 April	7 April 2017	7 April 2017 to 6 April 2018	HK$0.1072	–	30,760,000	–	–	30,760,000
	2017 November	21 November 2017	21 November 2017 to 20 November 2018	HK$0.0860	–	19,970,000	(19,970,000)	–	–
Directors of a subsidiary	2017 April	7 April 2017	7 April 2017 to 6 April 2018	HK$0.1072	–	15,380,000	–	–	15,380,000
	2017 November	21 November 2017	21 November 2017 to 20 November 2018	HK$0.0860	–	12,280,000	(12,280,000)	–	–
Sub-total					–	78,390,000	(32,250,000)	–	46,140,000
Total					–	147,560,000	(70,660,000)	(7,690,000)	69,210,000
Weighted average exercise price					–	HK$0.097	HK$0.0860	HK$0.1072	HK$0.1072
Exercisable at the end of the year					–				69,210,000

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Name of Grantee	Option Type	Date of Grant	Exercisable Period	Exercise price per share	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
Directors:									
Mr. Zhou Jing	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	2,900,000[i]	–	–	(2,900,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	–
Mr. Lam Chun Kei	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	2,900,000[i]	–	–	(2,900,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	–
Mr. Lin Chuen Chow Andy	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.552[ii]	260,000[ii]	–	–	(260,000)	–
Mr. Lee Kin Fai	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	290,000[i]	–	–	(290,000)	–
Ms. Cheng Lo Yee	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	290,000[i]	–	–	(290,000)	–
Sub-total					6,640,000	11,800,000	(11,800,000)	(6,640,000)	–
Employees	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	5,800,000[i]	–	–	(5,800,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	11,800,000	(11,800,000)	–	–
Sub-total					5,800,000	11,800,000	(11,800,000)	(5,800,000)	–
Other eligible persons:									
Consultants	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	8,700,000[i]	–	–	(8,700,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	29,500,000	(29,500,000)	–	–
Directors of a subsidiary	2014	12 August 2014	12 August 2014 to 11 August 2016	HK$0.4948[i]	5,800,000[i]	–	–	(5,800,000)	–
	2016	10 June 2016	10 June 2016 to 9 June 2017	HK$0.1100	–	5,900,000	(5,900,000)	–	
Sub-total					14,500,000	35,400,000	(35,400,000)	(14,500,000)	–
Total					26,940,000	59,000,000	(59,000,000)	(26,940,000)	–
Weighted average exercise price					HK$0.4954	HK$0.1100	HK$0.1100	HK$0.4954	–
Exercisable at the end of the year					26,940,000				–

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Notes:

(i) The exercise price and the number of shares to be allotted and issued upon exercising of the share options granted under the Share Option Scheme were adjusted as a result of the capital reorganisation of the Company became effective on 4 February 2016 and completion of open offer of shares on 14 April 2016.

(ii) The exercise price and the number of shares to be allotted and issued upon exercising of the share options granted under the Share Option Scheme were adjusted as a result of the capital reorganisation of the Company became effective on 4 February 2016.

147,560,000 (2016: 59,000,000) share options were granted under the Share Option Scheme during the year ended 31 December 2017, of which 70,660,000 (2016: 59,000,000) share options has been exercised during the year ended 31 December 2017.

As at 31 December 2017, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 69,210,000 (2016: Nil).

The fair value of the share options granted to employees and directors was determined using the Binomial Model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

37. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Inputs into the model

	Option type 2017 April	Option type 2017 November	Option type 2016
Grant date share price	HK$0.1060	HK$0.0860	HK$0.1100
Exercise price	HK$0.1072	HK$0.0860	HK$0.1100
Expected volatility	54.57%	64.16%	116.98%
Exercise multiple	1.6-2.47	2.86-3.33	1.6-2.47
Risk-free interest rate	0.67%	0.9%	0.35%
Expected dividend yield	0%	0%	0%

Options granted are fully vested at the date of grant. During the year ended 31 December 2017, equity-settled share-based payments to employees (including directors) of the Group of approximately HK$2,109,000 (2016: HK$1,133,000) has been included as an expense in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the corresponding amount of which has been credited to share options reserve (Note 36). No liabilities were recognised on the equity-settled share-based payment transactions.

Share options granted to suppliers of service amounted to approximately HK$1,095,000 (2016: HK$1,003,000) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the corresponding amount of which has been credited to share options reserve (Note 36). The Company measures the fair value of share options granted to consultant by reference to the fair values of services rendered.

The total consideration received during the year from grant of share options amounted to HK$21 (2016: HK$10).

All share options have been accounted for under HKFRS 2. The share options outstanding as at 31 December 2017 had a weighted average remaining contractual life of 0.26 years. No share options were outstanding at 31 December 2016.

38. PENSION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all its eligible employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's PRC subsidiaries are required to participate in a central defined contribution pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute a percentage of its payroll costs to the central pension scheme. The central pension scheme is responsible for the entire pension obligations payable to all retired employees and the Group has no further obligations for the pension payments on post-retirement benefits beyond the monthly contributions.

During the year ended 31 December 2017, defined contribution retirement benefits expenses of approximately HK$610,000 (2016: HK$353,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

39. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. The Group's overall strategy remains unchanged from prior year.

39. CAPITAL MANAGEMENT *(continued)*

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

The Group monitors capital on the basis of the gearing ratio. As part of this review, the Group considers the cost of capital and the risks associated with each class of capital.

Gearing ratio

The gearing ratio at the end of the reporting period was as follows:

	2017	2016
	HK$'000	HK$'000
Debts (Note (i))	**–**	54,870
Equity (Note (ii))	**277,735**	361,420
Gearing ratio	**N/A**	15.2%

Notes:

(i) Debts include amount due to a non-controlling interest and bank and other borrowings, as detailed in notes 32 and 33 respectively.

(ii) Equity includes all capital and reserve attributable to owners of the Company.

40. FINANCIAL INSTRUMENTS

40.1 Categories of financial instruments

Financial assets

	2017	2016
	HK$'000	HK$'000
Fair value through profit or loss:		
Held for trading	**14,983**	150,725
Loans and receivables:		
Other assets	**12,412**	230
Trade receivables	**22,457**	94,151
Loans and interest receivables	**96,980**	85,728
Deposits and other receivables (included in financial assets)	**13,763**	12,348
Trust bank accounts	**28,954**	26,998
Cash and cash equivalents	**94,293**	73,971
AFS financial assets:		
Available-for-sale investments	**25,947**	33,616

Financial liabilities

	2017	2016
Fair value through profit or loss:		
Derivative financial instruments	**–**	6
Financial liabilities at amortised cost:		
Financial liabilities included in trade and other payables	**34,791**	47,512
Amount due to a non-controlling interest	**–**	29,400
Bank and other borrowings	**–**	25,470

40. FINANCIAL INSTRUMENTS *(continued)*

40.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through profit or loss, other assets, trade receivables, loans and interest receivables, deposits and other receivables, trust bank accounts, cash and cash equivalents, available-for-sale investments, derivative financial instruments, trade and other payables, amount due to a non-controlling interest and bank and other borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

40.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors consider that the Group is not exposed to significant foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

40. FINANCIAL INSTRUMENTS *(continued)*

40.2 Financial risk management objectives and policies *(continued)*

40.2.1 Market risk (continued)

Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and financial liabilities. The Group are exposed to cash flow interest rate risk in relation to variable-rates trade receivables, bank deposits and bank borrowing and fair value interest rate risk in relation to fixed rate loans receivables and other borrowing. The directors continues to monitor the interest rate exposure of the Group.

All of the Group's loans receivables are based on fixed interest rates with original maturities in range of 12 to 300 months (2016: 12 to 300 months). The Group prices these loans receivables strategically to reflect market fluctuations and achieve a reasonable interest-rate spread.

The fixed rate instruments of the Group are insensitive to any change in market interest rates.

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

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

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

The Group consider the cash flow interest rate risk relating to its variable rate bank borrowing is insignificant and therefore sensitivity analysis has not been presented.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

40. FINANCIAL INSTRUMENTS *(continued)*

40.2 Financial risk management objectives and policies *(continued)*

40.2.1 Market risk (continued)

Other price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. In addition, the Group has appointed a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 15% higher/lower (2016: 15% higher/lower):

- post-tax loss for the year ended 31 December 2017 would decrease/increase by HK$1,877,000 (2016: HK$18,878,000). This is mainly due to the changes in fair value of held-for-trading equity investments.

40.2.2 Credit risk management

At 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

For the credit sales of goods to customers, the Group has concentration of credit risk as the top 5 credit sales customers from continuing operations related to agricultural business and accounted for approximately 24% (2016: 5%) of the Group's trade receivables as at 31 December 2017. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Regular review and follow up actions are carried out on overdue amounts to minimise the Group's exposure to credit risk. An aging analysis of the debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with these debtors. The Group makes specific provision for receivables based on an assessment of the recoverability of the receivables.

40. FINANCIAL INSTRUMENTS *(continued)*

40.2 Financial risk management objectives and policies *(continued)*

40.2.2 Credit risk management (continued)

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

In respect of deposits and other receivables, the directors consider the credit risk is low because there was no default history, hence no impairment provision is required.

For loans and interest receivables, the Group has policies in place to evaluate credit risk when accepting new loans and to limit its credit exposure to individual borrowers. The Group makes specific provision for loans and interest receivables based on an assessment of recoverability.

For cash and cash equivalents and trust bank accounts, the credit risk is limited because the counterparties are reputable banks and securities brokers.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial assets in the consolidated statement of financial position after deducting any impairment allowance.

40. FINANCIAL INSTRUMENTS *(continued)*

40.2 Financial risk management objectives and policies *(continued)*

40.2.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

The following table details, the maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted payments. Bank borrowings with a repayment of demand clause are included in the "On demand or less than 1 year" time band in the maturity analysis.

	Effective average interest rate	On demand or less than 1 year HK$'000	Over 1 year HK$'000	Total contractual undiscounted cash flows HK$'000	Total carrying amounts HK$'000
At 31 December 2017					
Non-derivative financial liabilities					
Trade and other payables	N/A	34,791	–	34,791	34,791
At 31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	N/A	47,512	–	47,512	47,512
Amount due to a non-controlling interest	N/A	29,400	–	29,400	29,400
Bank and other borrowings	2.75% to 8.5%	27,077	–	27,077	25,470
		103,989	–	103,989	102,382
Derivative financial liabilities					
Derivative financial instruments	N/A	6	–	6	6

40. FINANCIAL INSTRUMENTS *(continued)*

40.3 Fair value measurements of financial instruments

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Fair value hierarchy

	2017	2016
	HK$'000	HK$'000
Financial assets included in Level 1		
Financial assets at fair value through profit or loss (Note 28)	**14,223**	150,725
Financial assets included in level 2		
Financial assets at fair value through profit or loss (Note 28)	**760**	–
Available-for-sale investment (Note 22)	**7,188**	7,188
Financial assets included in level 3		
Available-for-sale investment (Note 22)	**–**	–
Financial liabilities included in level 1		
Derivative financial instruments (Note 31)	**–**	6

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1, 2 and 3.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the quoted market bid price. These instruments are included in level 1.

40. FINANCIAL INSTRUMENTS *(continued)*

40.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair value of the unlisted equity investment included in level 3 is based on cash flows discounted using a rate of 15% (2016: 14%) based on the market interest rate and the risk premium specific to the unlisted equity investment.

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair value:

	2017	2016
	HK$'000	HK$'000
At 1 January	**–**	1,073
Total gains (losses):		
– in profit or loss	**–**	(1,073)
At 31 December	**–**	–

40. FINANCIAL INSTRUMENTS *(continued)*

40.3 Fair value measurements of financial instruments *(continued)*

Fair value of financial assets and financial liabilities that are carried at other than fair value

The directors consider that the carrying amounts of the Group's and the Company's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017 and 2016.

Financial assets and financial liabilities offsetting

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

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and the Group intends to settle on a net basis. In addition, the Group has a legally enforceable right to set off the trade receivable from and payables to cash clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

	Gross amounts of recognised financial assets (liabilities)	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		
				Financial instruments	Collateral received	Net amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2017						
Financial assets						
Trade receivables from clearing house and cash clients	14,827	(11,820)	3,007	–	–	3,007
Financial liabilities						
Trade payables to clearing house and cash clients	(36,063)	11,820	(24,243)	–	–	(24,243)
2016						
Financial assets						
Trade receivables from clearing house	16,515	(10,299)	6,216	–	–	6,216
Financial liabilities						
Trade payables to clearing house	(35,542)	10,299	(25,243)	–	–	(25,243)

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION

Year ended 31 December 2016

(a) Acquisition of Profit Network

During the year ended 31 December 2016, the Group completed the acquisition of a total of 51% equity interests in Profit Network at an aggregated cash consideration of HK$40,800,000. On 6 January 2016, the Group acquired 7% equity interests in Profit Network from Trinity Worldwide Capital Holding Limited ("**Trinity Worldwide**"), a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive director of the Company, at a cash consideration of HK$5,600,000. On 2 September 2016, the Group acquired a further 44% equity interests in Profit Network from Trinity Worldwide at a cash consideration of HK$35,200,000. The acquisition of a further 44% equity interest in Profit Network constituted a major and connected transaction of the Company under the GEM Listing Rules and the ordinary resolution relating thereto was passed by the shareholders of the Company at a special general meeting held on 27 July 2016. Upon completion of the acquisition on 2 September 2016, Profit Network Group became non-wholly owned subsidiaries of the Company and the financial results of the Profit Network Group was consolidated into the consolidated financial statements of the Company.

Acquisition-related costs amounting to approximately HK$886,000 have been excluded from the cost of acquisitions and recognised directly as an expense in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016.

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**"). In the opinion of the directors, 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.

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network *(continued)*

Asset acquired and liabilities recognised at the date of acquisition:

	HK$'000
Property, plant and equipment (Note 15)	1,165
Intangible asset (Note 19)	500
Other assets	230
Trade receivables	42,518
Deposit, prepayments and other receivables	1,459
Financial assets at fair value through profit or loss	43
Cash and cash equivalents	17,674
Trusts bank accounts	21,666
Trade and other payables	(30,174)
Bank borrowing	(2,000)
Current tax liabilities	(192)
Deferred tax liabilities (Note 34)	(34)
	52,855

The fair value of receivables acquired, which principally comprised trade receivables and other receivables. The fair value of trade receivables at the date of acquisition amounted to HK$42,518,000. The gross contractual amounts of those trade receivables acquired amounted to HK$44,488,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to HK$1,970,000. The fair value of other receivables was approximated to the gross contractual amounts.

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network *(continued)*

	HK$'000
Goodwill arising on acquisition	
Consideration transferred on acquiring 44% equity interest in Profit Network	35,200
Add: Non-controlling interests	25,899
Fair value of previously held interests	5,600
Less: Net assets acquired	(52,855)
Goodwill arising on acquisition (Note 18)	13,844

Goodwill arising from the acquisition was attributable to the anticipated profitability and future development of the financial services business.

The non-controlling interests in Profit Network recognised at the acquisition date were measured at the non-controlling interests' to the proportionate share of the Profit Network Group's identifiable net assets.

Net cash outflow on acquisition of Profit Network

	HK$'000
Cash consideration paid	40,800
Less: Cash and cash equivalents acquired	(17,674)
	23,126

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(a) Acquisition of Profit Network *(continued)*

Impact of acquisition on the results of the Group

Profit Network Group contributed revenue of approximately HK$7,888,000 and net profit of approximately HK$2,615,000 to the Group for the period from the date of acquisition to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group revenue would have been approximately HK$69,438,000 and loss for the year ended 31 December 2016 would have been approximately HK$22,953,000. This pro forma information was for illustrative purpose only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2016, nor was it intended to be a projection of future results.

(b) Acquisition of Delight Sky Finance Limited

On 3 October 2016, the Group completed the acquisition of 100% of the issued shares of Delight Sky Finance Limited (formerly known as "Trinity Financing Limited"), a limited liability company incorporated in Hong Kong at a cash consideration of approximately HK$993,000 from Trinity Financing Holdings Limited, a company wholly owned by Mr. Ng Ting Kit, elder brother of Mr. Ng Ting Ho, an executive director of the Company. The acquisition constituted a connected transaction of the Company under the GEM Listing Rules. Delight Sky Finance Limited is principally engaged in money lending business in Hong Kong. In the opinion of the directors, Delight Sky Finance Limited was acquired so as to continue the expansion of the Group's money lending business.

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(b) ***Acquisition of Delight Sky Finance Limited*** *(continued)*

	HK$'000
Consideration transferred	
Cash paid	993

Assets acquired and liabilities recognised at the date of acquisition:

	HK$'000
Loan receivables	668
Other receivables	6
Cash and cash equivalents	325
Other payables	(6)
	993

The fair value of receivables acquired, which principally comprised loan receivables and other receivables approximated to the gross contractual amounts. There were no contractual cash flows not expected to be collected.

41. ACQUISITION OF SUBSIDIARIES AND BUSINESS COMBINATION *(continued)*

Year ended 31 December 2016 *(continued)*

(b) ***Acquisition of Delight Sky Finance Limited*** *(continued)*

Net cash outflow on acquisition of Delight Sky Finance Limited

	HK$'000
Cash consideration paid	993
Less: Cash and cash equivalents acquired	(325)
	668

Impact of acquisition on the results of the Group

Delight Sky Finance Limited contributed revenue of approximately HK$55,000 and net profit of approximately HK$52,000 to the Group for the period from the date of acquisition to 31 December 2016. If the acquisition had occurred on 1 January 2016, the Group revenue would have been approximately HK$61,727,000 and loss for the year ended 31 December 2016 would have been approximately HK$14,344,000. This pro forma information was for illustrative purpose only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 January 2016, nor was it intended to be a projection of future results.

42. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

Acquisition of additional interest in Profit Network

On 16 June 2017, the Group acquired a further 49% equity interests in Profit Network from Trinity Worldwide at a cash consideration of HK$39,200,000. The acquisition of 49% equity interest in Profit Network constituted a major and connected transaction of the Company under the GEM Listing Rules and the ordinary resolution relating thereto was passed by the shareholders of the Company at a special general meeting held on 12 June 2017. Upon completion of the acquisition on 16 June 2017, Profit Network Group became wholly-owned subsidiaries of the Company and the financial results of the Profit Network Group continue to be consolidated into the consolidated financial statements of the Company. The difference between the fair value of consideration paid and the decrease in a non-controlling interest was adjusted in the accumulated losses of the Group.

The effect of changes in the ownership interest of Profit Network on the equity attributable to owners of the Company during the year ended 31 December 2017 was summarised as follows:

	HK$'000
Carrying amount of non-controlling interest acquired	27,951
Consideration paid to non-controlling interest	(39,200)
Excess of consideration paid recognised in accumulated losses within equity	(11,249)

43. OPERATING LEASE COMMITMENTS

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

	2017	2016
	HK$'000	HK$'000
Land and buildings		
– Within one year	**3,429**	3,141
– In the second to fifth years inclusive	**734**	720
	4,163	3,861

Operating leases for land and buildings relate to office premises, staff's quarter and restaurant premises with lease terms of between 2 to 4 years (2016: 2 to 4 years). The lease does not include contingent rental.

44. COMMITMENTS

Capital commitments

At the end of the reporting period, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2017	2016
	HK$'000	HK$'000
Authorised and contracted for:		
Capital contribution to available-for-sale investments	**953**	6,016

Other commitments

At 31 December 2016, the Group entered into a sub-underwriting agreement with an independent third party in relation to an initial public offering of shares in Hong Kong by way of placing and had a gross commitment of approximately HK$3,100,000.

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flow were, or future cash flows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to a non-controlling interest	**Bank and other borrowings**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2017	29,400	25,470	54,870
Changes from financing activities			
Repayment of amount due to a non-controlling interest	(29,400)	–	(29,400)
Repayment of bank and other borrowings	–	(25,470)	(25,470)
At 31 December 2017	–	–	–

46. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

(a) Transactions with related parties

Related party	Nature of transaction	Notes	2017 HK'000	2016 HK$'000
Mr. Ng Man Chun Paul	Consultancy fee	(i)	–	847
	Commission income from securities dealing	(ii)	5	11
	Interest income from securities	(iii)	–	17
	Placing commission	(iv)	–	105
Mr Lam Chun Kei	Commission income from securities dealing	(ii)	6	–
Mr. Ng Ting Kit or his close family members	Commission income from securities dealing	(ii)	17	18
	Interest income from securities	(iii)	–	8
Companies controlled by Mr. Ng Ting Kit or his close family member	Commission income from securities dealing	(ii)	9	4
	Interest income from securities	(iii)	2	2

Notes:

(i) The consultancy fee paid were based on the terms mutually agreed between the parties involved.

(ii) The commission income from securities dealings was calculated at rates ranged from 0.03% to 0.05%.

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

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

46. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

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

Related party	Nature of account	**2017** **HK'000**	2016 HK$'000
Mr. Ng Man Chun Paul	Cash account	**(6)**	(6)
	Margin account	**(108)**	(1,118)
Mr. Lam Chun Kei	Cash accounts	**(1)**	–
Mr. Ng Ting Kit and his close family members	Cash account	**(425)**	(493)
	Margin account	**(73)**	(35)
Companies controlled by Mr. Ng Ting Kit or his close family members	Cash account	**(65)**	(351)
	Margin account	**(296)**	622

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

(c) Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2017 **HK$'000**	2016 HK$'000
Short-term benefits	**2,863**	1,922
Post-employment benefits	**57**	24
Share option expense	**346**	530
Discretionary bonus	**640**	129
	3,906	2,605

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVE MOVEMENT

Statement of financial position of the Company

	2017 HK$'000	2016 HK$'000
Non-current assets		
Investments in subsidiaries	**22,497**	21,899
Current assets		
Deposits, prepayments and other receivables	**529**	389
Amounts due from subsidiaries	**288,838**	337,221
Cash and cash equivalents	**25,042**	22,909
	314,409	360,519
Current liabilities		
Amounts due to subsidiaries	**102,331**	26,348
Other payables and accruals	**2,275**	1,607
	104,606	27,955
Net current assets	**209,803**	332,564
Net assets	**232,300**	354,463
Capital and reserves		
Share capital	**9,936**	7,691
Reserves	**222,364**	346,772
Total equity	**232,300**	354,463

The statement of financial position of the Company was approved and authorised for issue by the board of directors on 23 March 2018 and are signed on its behalf by:

_______________________________	_______________________________
Director	*Director*
Mr. Zhou Jing	**Mr. Lam Chun Kei**

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVE MOVEMENT *(continued)*

Movement in the Company's reserve

	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2016	84,734	160,253	77,317	4,672	–	326,976
Loss for the year	–	–	–	–	(30,021)	(30,021)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(30,021)	(30,021)
Capital reorganisation (Note 35(i))	–	15,782	–	–	–	15,782
Issue of shares pursuant to open offer (Note 35(ii))	17,754	–	–	–	–	17,754
Issue of share upon exercise of share options (Note 35(iv))	8,036	–	–	(2,136)	–	5,900
Issue of placing shares (Note 35(iii))	10,651	–	–	–	–	10,651
Transaction costs attributable to issue of shares	(2,406)	–	–	–	–	(2,406)
Recognition of equity-settled share-based payment (Note 37)	–	–	–	2,136	–	2,136
Lapse of share options	–	–	–	(4,672)	4,672	–
Amount transferred to write off accumulated loss (Note)	–	(22,484)	–	–	22,484	–
Balance at 31 December 2016 and 1 January 2017	118,769	153,551	77,317	–	(2,865)	346,772
Loss for the year	–	–	–	–	(146,186)	(146,186)
Other comprehensive income for the year	–	–	–	–	–	–
Total comprehensive expense for the year	–	–	–	–	(146,186)	(146,186)
Issue of share upon exercise of share options (Note 35(iv))	6,901	–	–	(1,531)	–	5,370
Issue of placing shares (Note 35(iii))	13,842	–	–	–	–	13,842
Transaction costs attributable to issue of shares	(638)	–	–	–	–	(638)
Recognition of equity-settled share-based payment (Note 37)	–	–	–	3,204	–	3,204
Lapse of share options	–	–	–	(166)	166	–
Balance at 31 December 2017	**138,874**	**153,551**	**77,317**	**1,507**	**(148,885)**	**222,364**

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY AND RESERVE MOVEMENT *(continued)*

Movement in the Company's reserve *(continued)*

Note:

Pursuant to the special resolution passed in an EGM and SGM held on 24 April 2014, 3 February 2016, respectively and took effect on 5 June 2014 and 4 February 2016, the directors were authorised to use HK$195,134,000 and HK$15,782,000 credit balances in the contribution surplus account result from the reduction of the paid-up capital of the Company to eliminating or setting off the accumulated losses of the Company. During the year ended 31 December 2016, approximately HK$22,484,000 credit balance in the contribution surplus account was used to eliminate the accumulated losses of the Company.

48. EVENTS AFTER THE REPORTING PERIOD

Disposal of Treasure Easy Limited

On 31 January 2018, Rich Sheen International Limited ("**Rich Sheen**"), an indirect wholly-owned subsidiary of the Company, and Mr. Li Ho Kwong ("**Mr. Li**"), a 30% shareholder and a director of Treasure Easy Limited, entered into the sale and purchase agreement ("**SP Agreement**"), pursuant to which Rich Sheen agreed to sell, and Mr. Li agreed to acquire, (i) the sale shares, representing 51% of the issued share capital of Treasure Easy Limited ("**Treasure Easy**"), a company incorporated in Hong Kong with limited liability, and (ii) the sale loan representing the entire shareholder's loan owing by Treasure Easy to Rich Sheen at completion date (the "**Disposal**"), at an aggregate cash consideration of HK$20,000. Treasure Easy is principally engaged in the provision of the food and beverage service in Hong Kong. The Disposal constitutes a discloseable and connected transaction of the Company under the GEM Listing Rules. The Disposal was completed on 31 January 2018.

Five-years Financial Summary

For the year ended 31 December 2017

	1.1.2017 to 31.12.2017 HK$'000	1.1.2016 to 31.12.2016 HK$'000 (Restated)	1.1.2015 to 31.12.2015 HK$'000 (Restated)	1.1.2014 to 31.12.2014 HK$'000 (Restated)	1.1.2013 to 31.12.2013 HK$'000 (Restated)
RESULTS					
Revenue					
Continuing operations	**53,393**	37,739	37,803	14,572	23,573
Discontinued operations	**3,584**	23,964	85,341	14,167	1,192
	56,977	61,703	123,144	28,739	24,765
(Loss) profit from operations					
Continuing operations	**(77,241)**	(16,728)	9,768	(12,640)	(10,800)
Discontinued operations	**(1,817)**	5,829	9,505	1,103	(1,015)
	(79,058)	(10,899)	19,273	(11,537)	(11,815)
Finance costs					
Continuing operations	**(1,104)**	(870)	(252)	(101)	(310)
Discontinued operations	**–**	–	(168)	–	–
	(1,104)	(870)	(420)	(101)	(310)
Gain on deconsolidation of subsidiaries					
Continuing operations	**–**	–	–	–	–
Discontinued operations	**2,867**	–	1,359	–	–
	2,867	–	1,359	–	–
Assets impairments					
Continuing operations	**(20,524)**	(1,320)	(5,934)	(4,416)	(2,513)
Discontinued operations	**–**	(1,629)	–	(1,798)	(25,245)
	(20,524)	(2,949)	(5,934)	(6,214)	(27,758)

Five-years Financial Summary

For the year ended 31 December 2017

	1.1.2017 to 31.12.2017 HK$'000	1.1.2016 to 31.12.2016 HK$'000 (Restated)	1.1.2015 to 31.12.2015 HK$'000 (Restated)	1.1.2014 to 31.12.2014 HK$'000 (Restated)	1.1.2013 to 31.12.2013 HK$'000 (Restated)
(Loss) profit before tax					
Continuing operations	**(98,869)**	(18,918)	3,582	(17,158)	(13,623)
Discontinued operations	**1,050**	4,200	10,696	(694)	(26,260)
	(97,819)	(14,718)	14,278	(17,852)	(39,883)
Income tax credit (expenses)					
Continuing operations	**40**	361	(1,273)	(24)	(170)
Discontinued operations	**–**	–	–	–	–
	40	361	(1,273)	(24)	(170)
(Loss) profit to the year					
Continuing operations	**(98,829)**	(18,557)	2,309	(17,182)	(13,793)
Discontinued operations	**1,050**	4,200	10,696	(694)	(26,260)
	(97,779)	(14,357)	13,005	(17,876)	(40,053)
(Loss) profit attributable to:					
Owners of the Company					
Continuing operations	**(99,021)**	(19,640)	2,607	(15,040)	(26,660)
Discontinued operations	**534**	1,957	3,561	(249)	(13,393)
	(98,487)	(17,683)	6,168	(15,289)	(40,053)
Non-controlling interests					
Continuing operations	**192**	1,083	(298)	(2,142)	12,867
Discontinued operations	**516**	2,243	7,135	(445)	(12,867)
	708	3,326	6,837	(2,587)	–

Five-years Financial Summary

For the year ended 31 December 2017

	31.12.2017	31.12.2016	31.12.2015	31.12.2014	31.12.2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**326,549**	506,433	362,594	399,196	102,285
Total liabilities	**(37,946)**	(107,052)	(10,948)	(54,098)	(15,174)
	288,603	399,381	351,646	345,098	87,111
Equity attributable to					
Owners of the Company	**277,735**	361,420	342,054	290,558	87,111
Non-controlling interests	**10,868**	37,961	9,592	54,540	–
	288,603	399,381	351,646	345,098	87,111