

Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code: 339)

2016

ANNUAL REPORT



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chak Paul (*Chairman*)
Mr. WANG Daming

Non-executive Director

Mr. SUN Bo (*appointed on 14 March 2016*)

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen
Dato' TAN Yee Boon
Mr. MOK Ho Ming (*appointed on 22 November 2016*)
Mr. WONG Yan Wai George (*appointed on 11 April 2017*)

CHIEF EXECUTIVE OFFICER

Mr. ZHANG Yufei

COMPANY SECRETARY

Ms. CHEUNG Hoi Ue

AUDITOR

Messrs. RSM Hong Kong
Certified Public Accountants

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 04 & 05,
19/F Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

STOCK CODE

339

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDIT COMMITTEE

Mr. CHAN Francis Ping Kuen (*Chairman*)
Dato' TAN Yee Boon
Mr. MOK Ho Ming (*appointed on 22 November 2016*)

REMUNERATION COMMITTEE

Dato' TAN Yee Boon (*Chairman*)
Mr. CHAN Francis Ping Kuen
Mr. MOK Ho Ming (*appointed on 22 November 2016*)

NOMINATION COMMITTEE

Mr. CHAN Chak Paul (*Chairman*)
Dato' TAN Yee Boon
Mr. CHAN Francis Ping Kuen

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

The Bank of East Asia, Limited
Hang Seng Bank

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Appropriations

For the year ended 31 December 2016, the Company recorded a turnover of approximately HK\$1.7 million (2015: HK\$39.5 million), loss attributable to owners of approximately HK\$13 million (2015: HK\$19.7 million) and loss per share of HK\$0.113 (2015: HK\$0.203). As compared to the last year, the decrease in turnover was mainly due to decrease in trading of listed securities. The decreased in net loss was mainly attributable to the decrease in fair value losses of financial assets as a result of the recent upturn in financial market, while such effect was partially mitigated by the increase in administrative and other operating expenses.

Business Review

The year under review continued to be a difficult year for Hong Kong securities market which was adversely affected by the negative investment sentiment across the world. The global financial markets were volatile and adversely impacted by political and economic uncertainties arising from the UK vote to leave the EU and the US presidential election. As Hong Kong stock market is significantly influenced by the Mainland China, there were concerns that Mainland China's economy was slowing down and that interest rates would rise in response to the US interest rate hikes. All these contributed to cautious sentiment among investors, and created a challenging market environment for the Company. As compared to the last year, the carrying value of the Company's share portfolio dropped by 23% to HK\$19 million as at 31 December 2016. As the Company's operating results are mostly driven by the Company's investments in trading securities, its performance will continuously be affected by the prevailing global stock market. Nevertheless, the Company will continue to be cautious in making new investments and trading of securities and with the aim to grow its portfolio value in future.

The Company's portfolio of Hong Kong listed securities as at 31 December 2016 consisted of China Dynamics (Holdings) Limited, Hong Kong Exchanges and Clearing Limited, Tencent Holdings Limited, CSOP FTSE China A50 ETF and ChinaAMC CSI 300 Index ETF.

As at 31 December 2016, approximately 56% (2015: 74%) of the Company's total investments were in a portfolio of Hong Kong listed securities, 1% (2015: Nil) in property, plant and equipment, 1% (2015: 1%) in other assets and the 42% (2015: 25%) in cash which was deposited with banks in Hong Kong.

Chairman's Statement

Liquidity, Financial Resources and Funding

During the year, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2016, the net asset value of the Company amounted to HK\$33,247,769 (2015: HK\$33,325,997) with net asset value per share of HK\$0.29 (2015: HK\$0.34). As at 31 December 2016, the Company had cash and cash equivalents of HK\$14,171,225 (2015: HK\$8,449,793).

On 24 December 2015, the Company entered into a placing agreement with a placing agent in respect of the placement of 19,000,000 ordinary shares of HK\$0.02 each at a price of HK\$0.7 per share (the "Placing Shares") to not fewer than six placees who and whose ultimate beneficial owners are not connected persons of the Company and are third parties independent of and not connected with the Company and its connected persons. The said placing was completed on 11 January 2016 and the Placing Shares were allotted and issued by the Company to not fewer than six placees, who are professional investors as defined under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), at the placing price of HK\$0.7 per Placing Share. Details of the said placing were disclosed in the announcements of the Company dated 24 December 2015 and 11 January 2016 and the annual report of the Company for its financial year ended 31 December 2015. As at the date of this report, the net proceeds raising from the said placing of approximately HK\$13 million have not been utilised and the intended use would be for working capital of the Company and for future investments yet to be identified.

The Company has no significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total owners' funds, was 0.025 as at 31 December 2016 (2015: 0.007).

Capital Structure

Details in the changes of the capital structure of the Company for the reporting period are set out in note 20 to the financial statements. The capital of the Company comprises only ordinary shares as at 31 December 2016 and 2015.

Capital Expenditures

The Company's capital expenditures primarily consisted of expenditures on acquisition of computer equipment, furniture and fixtures and office equipment. For the year ended 31 December 2016, the Company incurred capital expenditure in the amount of HK\$472,630 (2015: HK\$Nil).

Capital Commitments

As at 31 December 2016, the Company did not have any significant capital commitments.

Foreign Exchange Exposure

The Board believes that the Company has minimal exposure to foreign exchange risk as all business transactions of the Company are denominated in Hong Kong dollars. During the year, the Company has not used any derivative to hedge its exposure to the foreign currency risk.

Chairman's Statement

Environmental, Social and Corporate Responsibility

The Company is committed to maintain environmental and social standard to ensure business development and sustainability. We take steps to reduce our consumption of energy and natural resources e.g. advocate paperless office to reduce the consumption of paper, turn off computers, printers and lighting immediately after use; and use environmentally friendly products and certified materials whenever possible.

The Company has complied with all relevant laws and regulations which include the Bermuda Companies Act and the Rules Governing Listing of Securities on the Stock Exchange and maintained good relationship with its employees and investors.

Details of Environmental, Social and Governance report of the Company for the year ended 31 December 2016 is set out on page 30 of this Annual Report.

Employees and Remuneration Policies

During the year, the Company has 12 (2015: 7) staff including Directors and the total staff costs for the year amounted to HK\$2,552,835 (2015: HK\$580,700). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets

As at 31 December 2016, there were no charges in the Company's assets.

Contingent Liabilities

The Company did not have any significant contingent liabilities as at 31 December 2016.

Significant Investment Held

Save as disclosed above, the Company did not hold any other significant investment held during the year ended 31 December 2016.

Future Plans Relating to Material Investment or Capital Asset

The Company had not executed any agreement in respect of material investment or capital asset and did not have any further plans relating to material investment or capital asset as at the date of this report. Nonetheless, if any potential investment opportunity arises in the coming future, the Company will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Company and the shareholders of the Company as a whole.

Chairman's Statement

Prospects

The Company's management will adopt a conservative approach in managing the existing investments in accordance with the Company's investment objectives and policies. Nevertheless, the Company will continue to identify and capture investment opportunities as and when they arise.

Events after the Reporting Period

Save as disclosed here, there is no material subsequent event undertaken by the Company after the year ended 31 December 2016 and up to the date of this report.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

CHAN Chak Paul

Chairman

Hong Kong, 11 April 2017

Biographical Details of Directors and Senior Management

Executive Directors

Mr. CHAN Chak Paul, aged 56, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and China investments.

Mr. WANG Daming, aged 56, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He formerly worked for the Agricultural Bank of China and a number of China enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

Non-executive Director

Mr. SUN Bo, aged 35, was appointed as a Non-executive Director on 14 March 2016. He obtained a Master Degree in Business Administration from the American National University in 2005. Mr. SUN has extensive experience in finance and real estate development and management in the People's Republic of China.

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen, aged 58, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

Dato' TAN Yee Boon, aged 42, was appointed as an Independent Non-executive Director on 1 June 2009. Dato' TAN holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice in Malaysia and was admitted as an advocate and solicitor of the High Court of Malaya. Dato' TAN possesses extensive experience in the field of commercial and corporate practice.

Mr. MOK Ho Ming, aged 42, was appointed as an Independent Non-executive Director on 22 November 2016. Mr. MOK obtained a master degree in professional accounting from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of International Accountants. Mr. MOK has over 15 years of experience in accounting, taxation, auditing and corporate finance.

Biographical Details of Directors and Senior Management

Independent Non-executive Directors (Continued)

Mr. WONG Yan Wai George, aged 32, was appointed as an independent non-executive director on 11 April 2017. Mr. WONG obtained his bachelor degree of Science in Business Management from King's College London, University of London in 2006. He has extensive experience in corporate management, investment fund management and the financial services field. Since 2008, he has served as the managing director for King Wealth Group Limited involving in the setup, management and maintenance of a paid subscription-based online portal, www.wongsir.com.hk, providing indepth financial analysis and audio programmes to its subscribers. Mr. WONG currently is also the managing director of Keypad magazine, being an influential and renowned lifestyle magazine in Hong Kong.

Chief Executive Officer

Mr. ZHANG Yufei, aged 32, was appointed as the Chief Executive Officer of the Company on 28 July 2016. Mr. ZHANG graduated from Shanghai University of Finance and Economics with major in insurance studies and obtained a bachelor's degree in economics. He is an associate of the Life Management Institute and an SAC qualified practioner. Mr. ZHANG has accumulated over 8 years of experience in the banking industries in the People's Republic of China.

Company Secretary

Ms. CHEUNG Hoi Ue, aged 32, was appointed as the Company Secretary, one of the authorized representatives and service agent of the Company on 5 October 2016. Ms. CHEUNG holds a Master Degree of Corporate Governance from The Hong Kong Polytechnic University. She is also the financial controller of the Company. She is a member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries as well as the Institute of Chartered Secretaries and Administrators, Ms. CHEUNG has over 9 years of experience in accounting, taxation, auditing, corporate governance and corporate finance.

Report of the Directors

The Directors present their annual report together with the audited financial statements of Earnest Investments Holdings Limited (the “Company”) for the year ended 31 December 2016.

PRINCIPAL ACTIVITY AND ANALYSIS OF OPERATIONS

The Company is an investment company engaged principally in investment and trading of listed and unlisted equity securities.

No analysis of the Company’s performance by operating segment is presented as all of the turnover, revenue and contribution to operating results of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong.

BUSINESS REVIEW

Details of business review of the Company for the year ended 31 December 2016 is set out in Management Discussion and Analysis section under the Chairman’s Statement on page 3 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

The Company’s turnover is derived from the Company’s investments in listed and unlisted equity securities and the disclosure of information regarding customers and suppliers would not be meaningful.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2016 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 38.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2016 (2015: Nil).

DISTRIBUTABLE RESERVES

During the year, the changes of distributable reserves are set out in the Statement of Profit or Loss and Other Comprehensive Income and Statements of Changes in Equity.

At 31 December 2016, the reserves available for distribution to shareholders pursuant to the Bermuda Companies Act 1981 amounted to HK\$Nil (2015: HK\$8,785,997).

Report of the Directors

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the results and of the assets and liabilities of the Company for the last five financial years:

Results

	Year ended 31 December				
	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
Turnover	1,825,147	39,543,770	26,820,062	12,919,627	8,078,159
(Loss)/profit before tax	(13,044,689)	(19,702,564)	645,136	(6,409,799)	(7,444,169)
Income tax credit	—	—	—	—	183,522
(Loss)/profit for the year attributable to owners of the Company	(13,044,689)	(19,702,564)	645,136	(6,409,799)	(7,260,647)

Assets and liabilities

	As at 31 December				
	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$
Total assets	34,084,369	33,572,659	53,244,098	35,475,604	41,848,024
Total liabilities	(836,600)	(246,662)	(215,537)	(252,179)	(214,800)
Total equity	33,247,769	33,325,997	53,028,561	35,223,425	41,633,224

SHARE ISSUED DURING THE YEAR

On 11 January 2016, the Company issued 19,000,000 ordinary shares of HK\$0.02 each at placing price of HK\$0.7 per share for total consideration of HK\$13.3 million. The net proceeds from the placing is approximately HK\$13 million, which is intended to be used for working capital of the Company and future investments yet to be identified.

Details of the shares issued during the year ended 31 December 2016 are set out in note 20 to the financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "2006 Share Option Scheme") was adopted by the shareholders of the Company at the annual general meeting held on 26 May 2006 and has lapsed on 25 May 2016. As disclosed in the annual report of the Company for its financial year ended 31 December 2015 and the circular of the Company dated 27 April 2016, the Company proposed to terminate the 2006 Share Option Scheme and adopted a new share option scheme (the "2016 Share Option Scheme"). The proposed ordinary resolutions for termination of the 2006 Share Option Scheme and adoption of the 2016 Share Option Scheme were approved by shareholders of the Company at the special general meeting held on 16 May 2016. The 2016 Share Option Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The 2016 Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the 2016 Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants. Pursuant to the 2016 Share Option Scheme the Board may at its discretion, subject always to any limits and restrictions specified in the Listing Rules, offer to grant an option to any participant; impose terms and conditions; and determine such number of shares to be subscribed for at the option price.

The minimum option price for any option granted under the 2016 Share Option Scheme shall not be less than the higher of (i) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

The total number of shares which may be issued upon exercise of all options to be granted under the 2016 Share Option Scheme and any options to be granted under any other scheme must not in aggregate exceed 10% of the aggregate of the shares in issue as at the Adoption Date unless refreshed by the shareholders. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and all outstanding options granted and yet to be exercised under any other scheme should not exceed 30% of the shares in issue from time to time.

During the year, no option was granted, exercised, cancelled or lapsed under the 2016 Share Option Scheme and there was no outstanding option as at 31 December 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company neither purchased, sold nor redeemed any of its own listed securities.

Report of the Directors

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

DIRECTORS

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

Executive Directors

Mr. CHAN Chak Paul (*Chairman*)

Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*) — resigned on 16 June 2016

Mr. WANG Daming

Non-executive Director

Mr. SUN Bo — appointed on 14 March 2016

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen

Dato' TAN Yee Boon

Mr. MOK Ho Ming — appointed on 22 November 2016

Mr. WANG Jia Hua — resigned on 22 November 2016

Mr. WONG Yan Wai George — appointed on 11 April 2017

In accordance with the Bye-law 99 of the Bye-Laws of the Company, Mr. CHAN Chak Paul ("Mr. Paul CHAN") and Mr. CHAN Francis Ping Kuen ("Mr. Francis Chan") will retire from office of directors by rotation at the AGM.

Both of Mr. Paul CHAN and Mr. Francis CHAN will not offer themselves for re-election due to their personal commitments on their other business and accordingly Mr. Paul CHAN will retire as an executive Director and Mr. Francis CHAN will retire as an independent non-executive Director upon conclusion of the AGM. Each of Mr. Paul CHAN and Mr. Francis CHAN has confirmed that he has no disagreement with the Board and there are no any matters that need to be brought to the attention of the Shareholders in respect of his retirement.

Moreover, In accordance with Bye-law 102(A) of the Bye-Laws of the Company, Mr. MOK Ho Ming and Mr. WONG Yan Wai George who have been appointed as an Independent Non-executive Director of the Company on 22 November 2016 and 11 April 2017 respectively shall hold office only until the 2017 annual general meeting of the Company and shall then be eligible for re-election at the meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on page 7-8.

OTHER INFORMATION

Change in Director's information under Rules 13.51B (1) of the Listing Rules:

Mr. CHAN Chak Paul, an Executive Director of the Company, has resigned as Independent Non-executive Director of China Dynamics (Holdings) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 476) during the year.

Dato' TAN Yee Boon, an Independent Non-executive Director of the Company, was appointed as Non-executive Director of Worldgate Global Logistics Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8292) during the year. He was also appointed as Independent Non-executive Director of China Dynamics (Holdings) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 476) during the year.

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

EMOLUMENT POLICY

The emolument policy for the employees of the Company is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company without paying one year's remuneration (other than statutory compensation) as compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, no Director has been recorded as having interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

At 31 December 2016, so far as the Directors are aware, the interests and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), were as follows:

Name of Directors or chief executives	Capacity	Long/Short position	Number of shares held	Approximate percentage of the issued share capital as at 31 December 2016
SUN Bo	Beneficial owner	Long position	22,275,000	19.20%

Saved as disclosed above, at no time during the year, the Directors or Chief Executives had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company and its other associated corporations required to be disclosed pursuant to the SFO.

Saved as disclosed above, at no time during the year was the Company a party to any arrangement to enable the Directors or Chief Executives of the Company to hold any interests or short positions in shares or underlying shares in, or debentures of, the Company or other associated corporation.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION" and the "SHARE OPTION SCHEME" above in this report, at no time during the reporting period was the Company, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the reporting period, the Company neither purchased, sold nor redeemed any of its listed securities.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

Save as disclosed in the section headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION", as at 31 December 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of Part XV of the SFO showed that the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors and chief executives as disclosed above.

Name of shareholder	Capacity	Number of shares held	Approximate percentage of the issued share capital as at 31 December 2016
Supreme Zone Investments Limited ¹	Beneficial owner	11,812,500	10.18%
XIA Jun ¹	Interest of controlled corporation	11,812,500	10.18%
Salus Investments Limited ²	Beneficial owner	8,260,000	7.12%
ZHANG Xu Ming ²	Interest of controlled corporation	8,260,000	7.12%
YAU Mei Han	Beneficial owner	7,501,250	6.47%

Notes:

- The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Mr. XIA Jun. By virtue of the SFO, Mr. XIA Jun was deemed to be interested in the 11,812,500 shares.
- The 8,260,000 shares were held by Salus Investments Limited which was wholly owned by Mr. ZHANG Xu Ming. By virtue of the SFO, Mr. ZHANG Xu Ming was deemed to be interested in the 8,260,000 shares.

All the interests disclosed above represent long position in the ordinary shares of the Company.

Save as disclosed above, no other person had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Report of the Directors

MANAGEMENT CONTRACTS AND CONTINUING CONNECTED TRANSACTIONS

On 3 June 2015, the Company entered into an investment management agreement (the “Existing Management Agreement”) with Success Talent Investments Limited (“Success Talent”) for the provision of investment management services to the Company for a period of two years from 26 July 2015. A written confirmation between the Company and Success Talent was made to terminate the Existing Management Agreement with effect from 12 May 2016.

On 12 May 2016, the Company entered into the new investment management agreement (the “New Management Agreement”) with China Everbright Securities (Hong Kong) Limited (“CES”), for the provision of investment management services to the Company for a period of two years from 12 May 2016.

Rule 14A.08 of the Listing Rules provides that where a listed company is an investment company listed under Chapter 21 of the Listing Rules, its connected persons also include an investment manager. Accordingly, the provision of investment management services by the investment managers to the Company under the above-mentioned investment management agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of the investment management fee paid to Success Talent pursuant to the Existing Management Agreement and CES pursuant to the New Management Agreement for the year is set out in note 12 to the financial statements.

In the opinion of the Independent Non-executive Directors, the payment of the investment management fee was:

- (i) in the ordinary and usual course of the Company’s business;
- (ii) either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and
- (iii) in accordance with the terms of the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company’s auditor was engaged to report on the Company’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter to the Board that nothing has come to their attention that caused them to believe that the continuing connected transactions for the year ended 31 December 2016 (i) had not been approved by the Board of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) had exceeded the aggregate annual cap of HK\$480,000 and HK\$458,710 as set out by the Company in the previous announcements dated 3 June 2015 and 12 May 2016 respectively in respect of the disclosed continuing connected transactions.

Apart from the aforesaid, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Report of the Directors

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2016.

AUDITOR

At the Company's last Annual General Meeting, RSM Hong Kong was re-appointed as auditor of the Company. RSM Hong Kong retires, and, being eligible, offers itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

On behalf of the Board

CHAN Chak Paul

Chairman

Hong Kong, 11 April 2017

Corporate Governance Report

The Board of Directors (the “Board”) has always valued transparency and accountability as the key for achieving a high standard of corporate governance. The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules. The Company has complied with the CG code provisions throughout the year except for the following deviation:

The Code provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The roles of the Chairman and the chief executive officer of the Company were held by Mr. CHAN Chak Paul, being Chairman and one of the executive Directors, since Mr. NGAI Wah Sang has resigned as the chief executive officer of the Company on 16 June 2016 until 28 July 2016. With effect from 28 July 2016, Mr. ZHANG Yufei has been appointed as the chief executive officer of the Company.

THE BOARD

The Board comprises two Executive Directors, one Non-executive Director and Four Independent Non-executive Directors (“INEDs”). The brief biographical details of the Directors are set out in the “Biographical Details of Directors and Senior Management” section on page 7-8. More than one-third of the Directors is INEDs and at least one of them has appropriate professional qualifications, or accounting or related financial management expertise.

The Board is responsible for the Company’s affairs including but not limited to leadership, control and overall strategic development of the Company, as well as to oversee the Company’s internal control systems and financial performance of the Company.

The Directors have been informed of the Company’s investment objectives and investment making procedures. The Board makes investment decision, taking into account the advice of the Company’s Investment Manager, which is in line with the Company’s investment objectives.

The Investment Manager’s advice and reports as well as monthly management accounts and updates have been circulated to all Directors, and Directors will follow up any issues that come to their attention immediately. All Directors have access to board papers and related materials which are provided on a timely manner.

The Company has received, from each of the INEDs an annual confirmation of independence, and the Company considers that all of the INEDs are independent in accordance with the guidelines as set out in Rule 3.13 of the Listing Rules.

The Company has acquired appropriate insurance cover for all Directors.

Corporate Governance Report

Regular Board meetings are scheduled to be held at approximately quarterly intervals. During the year, the number of Board meetings and the attendance by each Director during the year are set out below:

Name of Directors	Number of attendance/ meetings held
<i>Executive Directors</i>	
Mr. CHAN Chak Paul (<i>Chairman</i>)	44/45
Mr. NGAI Wah Sang (<i>Deputy Chairman and Chief Executive Officer</i>) — resigned on 16 June 2016	24/45
Mr. WANG Daming	26/45
<i>Non-executive Director</i>	
Mr. SUN Bo — appointed on 14 March 2016	11/45
<i>Independent Non-executive Directors</i>	
Mr. CHAN Francis Ping Kuen	13/45
Dato' TAN Yee Boon	12/45
Mr. MOK Ho Ming — appointed on 22 November 2016	1/45
Mr. WANG Jia Hua — resigned on 22 November 2016	12/45
Mr. WONG Yan Wai George — appointed on 11 April 2017	N/A

The Directors are continually updated with the regulatory requirements, business activities and development of the Company to facilitate the discharge of their responsibilities. Through regular board meetings, all Directors are kept abreast of the conduct, business activities and development of the Company. All Directors were encouraged to participate in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development could be completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors duties. During the year, all Directors had participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the Chairman and the Chief Executive Officer of the Company are currently held by Mr. CHAN Chak Paul and Mr. ZHANG Yufei respectively.

Mr. CHAN Chak Paul, the Chairman of the Company, is primarily responsible for the leadership of the Board, ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner and the Directors receive accurate, timely and clear information.

Mr. ZHANG Yufei, the Chief Executive Officer of the Company, is responsible for the day-to-day management of the Company's business.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The Board selects and appoints the candidates for directorships of the Company based on their appropriate experiences, personal skills and time commitments.

All INEDs of the Company were appointed for a specific term, but subject to the relevant provisions of the Bye-Laws of the Company, or any other applicable laws whereby the Directors shall vacate or retire from their office. The term of appointment of the INEDs is one year commencing from the date of appointment.

The Bye-Laws of the Company Bye-law 99 provides that one-third of the Directors shall retire from office by rotation at every annual general meeting of the Company (“AGM”). Consequently, every Director (other than those appointed since the last annual general meeting) shall be subject to retirement by rotation at least once every three years. In accordance with the Bye-law 99 of the Bye-Laws of the Company, Mr. CHAN Chak Paul (“Mr. Paul CHAN”) and Mr. CHAN Francis Ping Kuen (“Mr. Francis Chan”) will retire from office of directors by rotation at the AGM.

Both of Mr. Paul CHAN and Mr. Francis CHAN will not offer themselves for re-election due to their personal commitments on their other business and accordingly Mr. Paul CHAN will retire as an executive Director and Mr. Francis CHAN will retire as an independent non-executive Director upon conclusion of the AGM. Each of Mr. Paul CHAN and Mr. Francis CHAN has confirmed that he has no disagreement with the Board and there are no any matters that need to be brought to the attention of the Shareholders in respect of his retirement.

Moreover, In accordance with Bye-law 102(A) of the Bye-Laws of the Company, Mr. MOK Ho Ming and Mr. WONG Yan Wai George who have been appointed as an Independent Non-executive Director of the Company on 22 November 2016 and 11 April 2017 respectively shall hold office only until the 2017 annual general meeting of the Company and shall then be eligible for re-election at the meeting.

Nomination Committee

The composition of the Nomination Committee and the attendance of its members during the year ended 31 December 2016 are set out below:

Name of Directors	Number of attendance/ meeting held
Mr. CHAN Chak Paul (<i>Chairman</i>)	3/3
Dato’ TAN Yee Boon	2/3
Mr. CHAN Francis Ping Kuen	3/3

Corporate Governance Report

The terms of reference are available on both the Company's and Stock Exchange's websites. The major roles and functions of the Nomination Committee are:

- to formulate nomination policy for the Board's consideration and implement the Board's approved nomination policy;
- to review the structure, size and diversity (including but not without limitation, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) of the Board at least annually and make recommendations;
- to identify individuals who are suitably qualified candidates and to receive nominations from shareholders or directors, and make recommendations on the selection of individuals nominated for directorship;
- to assess the independence of independent non-executive directors in accordance with the Listing Rules and the Code;
- to make recommendations to the Board on the appointment or re-appointment of directors, as well as succession planning for directors.

The Nomination Committee has the right to access to independent professional advice if considered necessary.

The Nomination Committee meets at least once a year and will meet as and when necessary or as requested by a Committee member.

The following is a summary of the work of the Nomination Committee during the year ended 31 December 2016:

- reviewed the structure, size and diversity (including but not without limitation, gender, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services) of the Board;
- reviewed the retirement of directors by rotation and the re-appointment of the retiring directors at the 2016 AGM;
- reviewed the reappointment of directors during the year; and
- assessed the independence of the Independent Non-executive Directors.

Corporate Governance Report

Remuneration Committee

The Remuneration Committee plays an advisory role to the Board. The final authority to approve any remuneration package is retained by the Board. The terms of reference of the Remuneration Committee are available on the Company's and the Stock Exchange websites.

The Remuneration Committee meets at least once a year and will meet as and when necessary or when requested by a Committee member.

The composition of the Remuneration Committee and the attendance of its members during the year ended 31 December 2016 are set out below:

Name of Directors	Number of attendance/ meeting held
Dato' TAN Yee Boon (<i>Chairman</i>)	6/6
Mr. CHAN Francis Ping Kuen	6/6
Mr. MOK Ho Ming — appointed on 22 November 2016	N/A
Mr. WANG Jia Hua — resigned on 22 November 2016	5/6

The major roles and functions of the Remuneration Committee are:

- to formulate remuneration policy regarding directors and senior management by taking into consideration of individual performance, responsibility and the prevailing market practice;
- to make recommendations to the Board on the Company's policy and structure for the remuneration of the Directors, senior management and general staff;
- to review and recommend the remuneration packages of all Executive Directors and senior management for approval by the Board; and
- to review and approve compensation payable to the Directors in connection with loss of their office or compensation arrangement relating to dismissal or removal of Directors.

The Remuneration Committee has the right to access to independent professional advice relating to remuneration proposals if considered necessary. Details of the remuneration of the Directors are disclosed on an individual basis and set out in note 14 to the financial statements.

The following is a summary of the work of the Remuneration Committee during the year ended 31 December 2016:

- reviewed the Company's policy and structure for the remuneration of Directors, senior management and general staff;

Corporate Governance Report

- reviewed and recommended to the Board the remuneration packages of Directors, senior management and general staff; and
- ensured that no Director or any of his associates was involved in deciding his own remuneration.

Audit Committee

The terms of reference of the Audit Committee are available on the Company's and the Stock Exchange's websites.

The Audit Committee meets as and when necessary or as requested by an Audit Committee member or the external auditor. The Audit Committee meets (with the presence of the external auditor) at least twice a year.

The composition of the Audit Committee and attendance of its members during the year ended 31 December 2016 are set out below:

Name of Directors	Number of attendance/ meetings held
Mr. CHAN Francis Ping Kuen (<i>Chairman</i>)	4/4
Dato' TAN Yee Boon	4/4
Mr. MOK Ho Ming — appointed on 22 November 2016	N/A
Mr. WANG Jia Hua — resigned on 22 November 2016	4/4

The major roles and functions of the Audit Committee are:

- to review the Company's interim and annual financial statements before submission to the Board for review and approval;
- to discuss with the external auditor on matters arising from the audit of the Company's financial statements;
- to review the Company's financial controls, internal control, and risk management systems;
- to review the Company's financial and accounting policies and practice; and
- to perform the corporate governance functions.

The Audit Committee has been provided with sufficient resources to discharge its duties and has access to independent professional advice if considered necessary.

Corporate Governance Report

The following is a summary of the work of the Audit Committee during the year ended 31 December 2016:

- reviewed the audited financial statements of the Company for the year ended 31 December 2015 and the related results announcement;
- reviewed the interim accounts of the Company for the 6 months ended 30 June 2016 and the related results announcement;
- reviewed the Company's financial controls, internal control and risk management systems;
- reviewed the remuneration and terms of engagement of the Company's external auditor;
- reviewed the policies and practices on the Company's corporate governance and the training and continuous professional development of directors; and
- reviewed the Company's continuing connected transaction.

AUDITOR'S RESPONSIBILITIES AND REMUNERATION

The statement of the Company's external auditor Messrs. RSM Hong Kong regarding their report responsibilities is set out in the Independent Auditors Report on page 34 to 37 of this annual report. For the year ended 31 December 2016, the remuneration payable to Messrs. RSM Hong Kong is HK\$186,000 for audit service, HK\$45,000 for review of interim report and continuing connected transactions and HK\$19,500 for tax compliance service.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all Directors, all the Directors have complied with the required standards as set out in the Model Code and its code of conduct regarding directors' securities transactions throughout the year.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has the ongoing responsibility to ensure the Company maintains a sound and effective internal control and risk management systems for the Company and the effectiveness of the systems should be reviewed to safeguard shareholders' investments and the Company's assets. The risk management and internal control systems of the Company are designed to identify and manage rather than eliminating all the risks, and can provide reasonable instead of absolute assurance against material misstatement or loss. To fulfill the responsibility, the board has entrusted the Audit Committee and appointed a professional firm as an independent advisor to assess the risk of the Company and review the internal control system of the Company, including financial, operational, investment reporting and compliance functions.

Corporate Governance Report

Internal Audit & Risk Management report

The internal audit and the risk management report summarized the internal control findings and major risks respectively. The internal audit consists primarily of examination of the Company's information and documents, together with an assessment of the adequacy of the internal controls of the Company. The set of work programs of the internal audit used include inquiry, observation, review documentation and/or re-performance. The development of the internal control systems of the Company helps to safeguard assets of the Company against unauthorized use or disposition, to maintain proper account records of reliable financial data and to comply with all the relevant laws and regulations. Based on the internal audit review, no material deficiency in all reviewed aspects is discovered.

Process of the Risk Management

The risk assessment has been carried out during the year under a business risk model. The risk model is a framework for identifying and understanding the types of business risks including strategic risks, operation risks, financial risks as well as information risks. Key risks have been identified by carrying out analysis and through conducting interviews with senior management and executives. The process is followed by assessing the significance and likelihood of the risks qualitatively and quantitatively for risks prioritisation, subsequently evaluating against the control design indicators to conclude the audit requirement rating. Based on the risk assessment and discussion with the Audit Committee, a prioritized group of auditable areas served as input to the development of a three-year internal audit plan. According to the review of the risk assessment report, the audit committee has made recommendations to the Board on the development of the Company's upcoming internal audit plan. The risk assessment report together with the suggested internal audit plan were adopted by the Board as input for the risk management and internal audit function.

Main Feature of Internal Controls and Risk Management

The Company's internal control system includes a defined management structure with straightforward and clear lines of reporting, authority limits as well as reporting mechanisms that are designed to facilitate the Company to manage its risks across business operations. The main features of the Company's risk management and internal control systems include management integrity, proper segregation of duties and record maintenance and other controls including analytics and management approval to help safeguarding company assets.

Review of Effectiveness of the Internal Control and Risk Management System

Through meetings with the professional firm, the Board has assessed the effectiveness and adequacy of the internal control and risk management systems of the Company for the year ending 31 December 2016. The Board considers that as a whole the existing internal control systems of the Company are adequate and effective in controlling and safeguarding the Company's assets, help to prevent irregularities and protect the interests of the Company's shareholders in material aspects.

Corporate Governance Report

Inside Information

With regards to the internal controls and procedures for the handling and dissemination of inside information, the Company complies with under the Part XIVA and relevant parts of the Securities and Future Ordinances and Listing Rules. To ensure that all staff members in the Company are aware of the inside information handling, the Company's disclosure policy sets out guidance and procedures to ensure that the inside information of the company is disseminated to the public completely, accurately and timely. Besides, the Board is responsible to approve the dissemination of the information. The Company also has reasonable measures in keeping sensitive information confidential and ensuring the confidentiality terms are in place in significant agreements.

The Board has also developed objective and policies for management of financial risk areas facing the Company, details of which are set out in note 6 to the financial statements.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS AND CORPORATE GOVERNANCE

The Directors acknowledge their responsibility for preparation of the Company's financial statements and ensure that the Company's financial statements for the year ended 31 December 2016 are prepared in accordance with statutory requirements and applicable accounting standards, as well as their responsibility for performing the corporate governance function.

COMPANY SECRETARY

The company secretary Ms. CHEUNG Hoi Ue is a full time employee of the Company. She fulfills the requirement under rules 3.28 and 3.29 of the Listing Rules. The company secretary reports to the Chief Executive Officer and supports the Board, ensures good information flow within the Board and Board policy and procedures are followed, advises the Board on governance matters, facilitates induction and, monitors the training and continuous professional development of Directors. She has attained not less than 15 hours of relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Board considers that annual general meeting of the Company is key opportunities for Shareholders to exchange views with the Board. The Chairman of the Board, the Executive Directors, the Chairman and/or other members of the Audit Committee, Nomination Committee and Remuneration Committee, as well as the external auditor had attended the 2016 Annual General Meeting (the "AGM") of the Company to answer questions raised.

Due to other business engagements, Mr. WANG Daming, the Executive Director and Mr. SUN Bo, the Non-executive Director could not attend the 2016 AGM.

Corporate Governance Report

Explanation of detail procedures of voting by poll has been given at the commencement of the 2016 AGM. For each substantially separate issue at the 2016 AGM, a separate resolution was proposed by the chairman of the meeting. The poll results of the 2016 AGM had been published in accordance with the requirement of the Listing Rules.

The attendance of the 2016 AGM is set out below:

Name of Directors	Number of attendance/ annual general meeting held
Mr. CHAN Chak Paul	1/1
Mr. NGAI Wah Sang — resigned on 16 June 2016	1/1
Mr. WANG Daming	0/1
Mr. SUN Bo — appointed on 14 March 2016	0/1
Mr. CHAN Francis Ping Kuen	1/1
Dato' TAN Yee Boon	1/1
Mr. MOK Ho Ming — appointed on 22 November 2016	N/A
Mr. WANG Jia Hua — resigned on 22 November 2016	1/1
Mr. WONG Yan Wai George — appointed on 11 April 2017	N/A

In addition to annual general meeting, the Company has established a number of channels to communicate with shareholders:

- Annual reports, interim reports and circulars are sent to shareholders in print form, and are available on both the Company's and Stock Exchange's websites;
- An updated version of the Company's constitutional documents such as the Memorandum of Continuance and New Bye-laws is made available on the Company's website; and
- The Company's monthly net asset value announcements are posted on the Company's and the Stock Exchange's websites.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Procedure for Shareholders to Convene Special General Meetings (SGM)

Pursuant to the Bye-laws of the Company, a SGM can be convened on the requisition by shareholders pursuant to the Companies Act. Moreover, Section 74 of the Companies Act provides that shareholders who, as at the date of deposit of the requisition, hold not less than one-tenth of the paid-up capital of the Company and carry the right of voting at general meetings of the Company, can request the Directors to convene a SGM.

The requisitionists must state the purpose of the meeting and the requisition must be signed by the requisitionists and deposited at the registered office or Principal Office of the Company. The Directors must convene a SGM within twenty-one days from the date of deposit of the requisition. The requisitionists, or any of them representing more than one half of the total voting rights may convene a SGM if the Directors fail to convene one within the twenty-one days period.

Shareholders' Enquiries

Shareholders should direct questions concerning their shareholdings to the Company's share registrar/branch share registrar. They can also make enquiries to the Company Secretary of the Company for information concerning the Company which are available to them pursuant to the Companies Act and the Company's Bye-laws. Moreover, they can make written enquires to the Board, by stating the nature and reasons in writing.

Procedure for Making Proposals at General Meetings

Shareholders may put forward written proposals for consideration at a general meeting by submitting their proposals to the Board at the Principal Office of the Company at least 60 days before the relevant general meeting. The proposal should be in the form of a proposed resolution and should comply with the following criteria:

- i. be clearly stated and in accordance with the Company's Bye-laws, the Companies Act, applicable laws, regulations and the Listing Rules;
- ii. be relevant to the Company's business, and comply with all relevant requirements of a general meeting;

Corporate Governance Report

- iii. in the event that the proposed business includes a proposal to amend the Company's Bye-laws, the proposed resolution should be in complete text and supported by, including but not limited to the following:
- The class and total number of shares beneficially owned by the individual shareholder of the Company making the proposal;
 - The reasons for the proposed resolution, and any interest in or anticipated benefit to the proposing shareholder; and
 - The benefits or disadvantage, if any, that the proposer suggests.

Procedure for Proposing a Person for Election as a Director

The procedure for proposing a person for election as a Director are made available on the Company's website.

Constitutional Documents

An updated version of the Memorandum of Continuance and New Bye-laws of the Company is available on the Company's and the Stock Exchange's websites.

On behalf of the Board

CHAN Chak Paul

Chairman

Hong Kong, 11 April 2017

Environmental, Social and Governance Report

The Company is pleased to present this report in accordance with the Environmental, Social and Governance Reporting Guide published by the Stock Exchange. The report describes the Company's policies in 2016 that were designed to fulfill the Company's obligations with respect to sustainable development and social responsibilities areas, as required by the Environmental, Social and Governance Reporting Guide.

The Company is principally engaged in investment and trading of listed and unlisted equity securities. The Company endeavours to create positive values to the shareholders and employees and dedicates to fulfil the Company's corporate social responsibility through working with the key stakeholders. The Company believes that the stakeholders' interests must be taken into account in order to enhance the Company's relationship with the society, employees and other key stakeholders.

Although the Company's direct environmental impact is relatively immaterial as the Company is primarily an office-based company with comparatively low power, energy and water consumption, the Company still actively pursues various environmental measures to reduce the indirect impact on the environment associated with business development. The Company also take heed when conducting the Company's business and consider investment opportunities that are in line with the Company's principles.

As a listed company, the Company is mindful of the continuous development of the regulatory environment, the Company has established a practice in gathering the changes of regulations and ensuring the Company's directors and employees to attend necessary training programmes so they are equipped to perform their duties.

The Company is conscious of those who are less fortunate in the community and the Company are always looking for effective ways to help them such as making donations to humanitarian services.

The following sections provide more information about the Company's practices in areas of environmental aspects, investment practices, employees' engagement and development, good operating practices and the Company's development through investing in the community.

ENVIRONMENTAL ASPECTS

Emissions and use of resources

The Company's business is primarily engaged in investment business, the direct impact to the environment and use of natural resources is minimal, and the Company does not generate hazardous waste. The main contributor to the Company's carbon footprint is the indirect greenhouse gas (GHG) emissions from electricity consumption, which is mainly attributed to the use of lighting system, air-conditioning and office equipment, though there is limited GHG emission due to business trips involved by the executives occasionally.

Environmental, Social and Governance Report

The resources used by the Company are principally attributed to electricity and water consumed at the workplace. The Company has energy saving measures in place at the office including an energy-saving lighting system, applying optimal temperature setting on the air-conditioning and turning off the lighting and air-conditioning after working hours. The Company also encourages employees to switch off devices, electronic equipment and computers when they are not using them. The Company's water consumption is very minimal and the employees are encouraged to reduce the use of paper by assessing the necessity of printing where appropriate, using duplex printing and reusing single-side printed paper. The Company is committed to continue to reduce the Company's paper consumption and disposal of paper.

OPERATING PRACTICES

Investment practices

The Company practises a set of principles when making investment decisions. The Company invests in companies with good practices in dealing with environmental, humanitarian and governance issues. Good business practices help to generate better profits and returns for investors particularly in the long run. Companies that treat their workers and the environment with respects generally have fewer burdens on regulatory issues, fines and lawsuits. The Company reads prospectuses and annual reports of companies and is concerned about their transparency and accountability, the Company cares about who manages these companies and or who sits on their board, the Company finds out how the companies are behaving with respect to environmental, social, and workers' rights.

The Company seeks to work with companies that are environmentally conscious; making efforts to reduce energy use, waste and pollution. The Company gives the best efforts to conserve resources such as use of recycled materials and minimize their paper communication. The Company extract natural resources in a responsible manner.

The Company looks for social responsible companies, those work with high-quality suppliers that held high ethics standards, interacts the government and regulators with integrity, and makes good decisions about the way how to operate to maximise positive effects, and minimises negative effects on the community, and also makes charitable contributions and provide supports to the community.

Supply chain management

The Company selects reliable vendors and service providers to support the business operations, and is committed as much as possible to conduct the business with suppliers that act in a socially responsible manner to meet the ethical expectations. The Company will take into account their reputation, their track record of high corporate standards, expertise and capacity so as to select the qualified supplier, and should obtain appropriate management's approval before entering an agreement. Such procedure aims to support operational efficiency, segregation of duties and making the best decision.

Environmental, Social and Governance Report

Anti-corruption

The Company promotes integrity and prevents unethical pursuits. The Company has an effective whistle-blowing policy for reporting fraud and corruption. The Company encourages the reporting of suspected business irregularities and provide clear channels specifically for this purpose. When suspected wrongdoings are identified, such as breach of duty, abuse of power, receiving bribes, staff can report to the Audit Committee Chairman for investigation and verification, and report to the regulator and/or to the law enforcement authority when necessary.

During the year, the Company has not received any corruption, bribery, fraud or legal case related to corruption. The Company will continue to comply with ethical requirements and upholds its reputation by preventing corruption.

EMPLOYMENT AND LABOR PRACTICES

The employees of the Company are one of the Company's key stakeholders. The Company provides good working environment including a workplace free from discrimination and harassment; and provide equal opportunities for all employees along with competitive remuneration. Employee's benefits include staff salaries, allowances, benefits, and contribution to defined contribution retirement scheme. The Company published a staff hand book that includes the terms and conditions of employment, the staff benefits (leave entitlement, insurance and training), and the office rules and policies. The Company also advocates work-life balance.

Development and Training

The Company is subject to various ordinances, rules and guidelines such as, the Main Board Listing Rules. The Company is aware of the continuous development and updates of relevant laws and regulations. The Company Secretary is responsible of gathering all the relevant regulatory changes to determine the continuous professional training needs for directors and employees to update their knowledge and skills to maintain their professional competence to remain fit and proper.

The Company is committed to provide support for the Company's directors and employees in continuous professional training and encourages them to attend training programmers organised by various professional bodies. The Company ensures that staff members fulfil the necessary training and development requirement and will maintain attendance records of the training.

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

The Company always believes that it is important to positively give back to the community which the Company is part of. The Company are developing methods to contribute to the society and expand the Company's efforts in the area of charity work. The Company does not only endeavour to fulfil the Company's obligations as a corporate citizen while also motivating the Company's employees to participate in various social charitable activities, so that the Company can contribute to the community and provide more assistance to the people in need.

Looking ahead, the Company will continue to fulfil its corporate social responsibilities while pursuing better business performance and value maximisation for shareholders. The Company will strive to exert its influence as a role model in the society, better undertake its environmental protection responsibilities and create excellent credibility through the care for humanity and social responsibilities.

Independent Auditor's Report



TO THE SHAREHOLDERS OF EARNEST INVESTMENTS HOLDINGS LIMITED

(Continued into Bermuda with limited liability)

OPINION

We have audited the financial statements of Earnest Investments Holdings Limited (the “Company”) set out on pages 38 to 68, which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and its 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 (the “HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information in Earnest Investments Holdings Limited's 2016 annual report other than the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the 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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Company's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda, 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 HKSA's 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 financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 partner on the audit resulting in this independent auditor's report is Mr. YAM Tak Fai, Ronald.

Certified Public Accountants
Hong Kong
24 March 2017

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 HK\$	2015 HK\$
Revenue	8	125,905	115,760
Net change in fair value of financial assets	9	(5,102,513)	(16,360,910)
Administrative and other operating expenses		(8,068,081)	(3,457,414)
Loss before tax		(13,044,689)	(19,702,564)
Income tax	10	—	—
Loss for the year attributable to owners of the Company	11	(13,044,689)	(19,702,564)
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year attributable to owners of the Company		(13,044,689)	(19,702,564)
Loss per share			
Basic	16	(0.113)	(0.203)

Statement of Financial Position

At 31 December 2016

	Note	2016 HK\$	2015 HK\$
Non-current assets			
Property, plant and equipment	17	393,749	—
Current assets			
Financial assets at fair value through profit or loss	18	19,121,555	24,981,310
Prepayments, deposits and other receivables		397,840	141,556
Bank and cash balances		14,171,225	8,449,793
		33,690,620	33,572,659
Current liabilities			
Accruals and other payables		836,600	246,662
Net current assets		32,854,020	33,325,997
Total assets less current liabilities		33,247,769	33,325,997
NET ASSETS		33,247,769	33,325,997
Capital and reserves attributable to owners of the Company			
Share capital	20	2,320,000	1,940,000
Reserves	22	30,927,769	31,385,997
TOTAL EQUITY		33,247,769	33,325,997
Net asset value per share	26	0.29	0.34

Approved by the Board of Director on 24 March 2017 and are signed on its behalf by:

CHAN Chak Paul
Executive Director

WANG Daming
Executive Director

Statement of Changes in Equity

For the year ended 31 December 2016

	Share Capital HK\$ (Note 20)	Share premium account HK\$ (Note 22)	Contributed surplus account HK\$ (Note 22)	(Accumulated losses)/ retained profits HK\$	Total Equity HK\$
At 1 January 2015	1,940,000	22,600,000	28,040,011	448,550	53,028,561
Total comprehensive income and changes in equity for the year	—	—	—	(19,702,564)	(19,702,564)
At 31 December 2015 and 1 January 2016	1,940,000	22,600,000	28,040,011	(19,254,014)	33,325,997
Issue of shares	380,000	12,586,461	—	—	12,966,461
Total comprehensive income for the year	—	—	—	(13,044,689)	(13,044,689)
Changes in equity for the year	380,000	12,586,461	—	(13,044,689)	(78,228)
At 31 December 2016	2,320,000	35,186,461	28,040,011	(32,298,703)	33,247,769

Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK\$	2015 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(13,044,689)	(19,702,564)
Adjustments for:		
Depreciation	78,881	—
Net realised loss on disposals of financial assets at fair value through profit or loss	52,783	755,380
Net unrealised loss on financial assets at fair value through profit or loss	5,049,730	15,605,530
Operating loss before working capital changes	(7,863,295)	(3,341,654)
(Increase)/Decrease in prepayments, deposits and other receivables	(256,284)	221,284
Increase in accruals and other payables	589,938	31,125
Proceeds from disposals of financial assets at fair value through profit or loss	1,699,242	39,428,010
Purchase of financial assets at fair value through profit or loss	(942,000)	(44,653,840)
Net cash used in operating activities	(6,772,399)	(8,315,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and net cash used in investing activities	(472,630)	—
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and net cash generated from financing activities	12,966,461	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,721,432	(8,315,075)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	8,449,793	16,764,868
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Representing bank and cash balances	14,171,225	8,449,793

Notes to the Financial Statements

For the year ended 31 December 2016

1. CORPORATE INFORMATION

Earnest Investments Holdings Limited (the “Company”) was continued into Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981. The address of its registered office is Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Suites 04 & 05, 19/F., Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activity of the Company is investment and trading of listed and unlisted equity securities.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Company are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in these financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2016. Of these, the following revised HKFRS are relevant to the Company.

Amendments to HKAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to HKAS 1 clarify, rather than significantly change, existing HKAS 1 requirements. The amendments clarify various presentation issues relation to:

- Assessment of materiality versus minimum disclosure requirements of a standard.

Notes to the Financial Statements

For the year ended 31 December 2016

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(a) Application of new and revised HKFRSs (Continued)

- Disaggregation of specific line items in the statement of profit or loss and other comprehensive income and the statement of financial position. There is also new guidance on the use of subtotals.
- Confirmation that the notes do not need to be presented in a particular order.

(b) New and revised HKFRSs in issue but not yet effective

The Company has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2016. These new and revised HKFRSs include the following which may be relevant to the Company.

Amendments to HKAS 7	Statements of Cash Flows: Disclosure initiative ¹
Amendments to HKAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses ¹
HKFRS 9	Financial Instruments ²
HKFRS 16	Leases ³

¹ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have a significant impact on the financial statements. As the Company has not completed its assessment, further impacts may be identified in due course.

Notes to the Financial Statements

For the year ended 31 December 2016

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied, changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

Notes to the Financial Statements

For the year ended 31 December 2016

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

(b) New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Company's receivables and other financial assets. The Company is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Company's office property lease is currently classified as an operating lease and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Company may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for the lease. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Company's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 24, the Company's future minimum lease payments under non-cancellable operating lease for its office property amounted to HK\$5,581,100 as at 31 December 2016. The Company will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from the operating lease commitment after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. certain investments that are measured at fair values).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the “functional currency”). The financial statements are presented in Hong Kong dollars, which is the Company’s functional and presentation currency.

(ii) *Transactions and balances in financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Property, plant and equipment

Property, plant and equipment, held for administrative purposes, are stated in the statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Office equipment	25%
Furniture and fixtures	20%
Computer equipment	25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

(c) Operating leases

Leases that do not substantially transfer to the Company all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(d) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Company transfers substantially all the risks and rewards of ownership of the assets; or the Company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank and cash balances are classified in this category.

(f) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

If collection of other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

(h) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Other payables

Other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(k) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably.

- (i) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend. Dividend income from unlisted investments is recognised when the shareholders' rights to receive payment are established.
- (ii) Interest income is recognised on a time-proportion basis using the effective interest method.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Company contributes to defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Company and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Company to the funds.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Company can no longer withdraw the offer of those benefits, and when the Company recognises restructuring costs and involves the payment of termination benefits.

(m) Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the 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 and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Taxation (Continued)

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

(n) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

Notes to the Financial Statements

For the year ended 31 December 2016

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For the Company's financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period 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. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(q) Events after the reporting period

Events after the reporting period that provide additional information about the Company's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

Notes to the Financial Statements

For the year ended 31 December 2016

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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, are discussed below.

Property, plant and equipment and depreciation

The Company determines the estimated useful lives, residual values and related depreciation charges for the property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Company will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of property, plant and equipment as at 31 December 2016 was HK\$393,749 (2015: Nil).

6. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: price risk, credit risk, liquidity risk and interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Price risk

The Company is exposed to equity price risk mainly through its investment in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Company's equity price risk is mainly concentrated on equity securities quoted on the Stock Exchange.

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 10% higher/lower (2015: 10% higher/lower), loss after tax for the year ended 31 December 2016 would decrease/increase by HK\$1,912,156 (2015: decrease/increase by HK\$2,498,131). This is mainly due to the changes in fair value of held-for-trading investments.

As at the date of approval of these financial statements, the gains from change in fair value on financial assets at fair value through profit or loss held as at 31 December 2016 amounted to approximately HK\$812,000.

Notes to the Financial Statements

For the year ended 31 December 2016

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

The Company has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The credit risk on financial assets at fair value through profit or loss is limited because the counterparty is a well-established securities broker firm in Hong Kong.

(c) Liquidity risk

The Company'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 longer term. The Company's financial liabilities are repayable on demand or within one year.

(d) Interest rate risk

The Company's exposure to interest rate risk arises from its bank deposits. These deposits bear interest at variable rates varied with the then prevailing market condition. The changes in interest rates are not significant to the financial statements.

(e) Categories of financial instruments at 31 December

	2016 HK\$	2015 HK\$
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	19,121,555	24,981,310
Loans and receivables (including cash and cash equivalents)	14,248,302	8,577,349
Financial liabilities:		
Financial liabilities at amortised cost	836,600	246,662

(f) Fair values

The carrying amounts of the Company's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

Notes to the Financial Statements

For the year ended 31 December 2016

7. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Company's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

The recurring fair value measurements of the Company's financial assets at fair value through profit and loss are using the Level 1 of the fair value hierarchy.

8. REVENUE

	2016 HK\$	2015 HK\$
Dividend income from listed investments	123,289	113,900
Bank interest income	2,616	1,860
Revenue	125,905	115,760
Proceeds from disposals of financial assets at fair value through profit or loss	1,699,242	39,428,010
Gross proceeds from disposals of investments	1,699,242	39,428,010

No segment information is presented as all of the revenue and turnover, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong.

Notes to the Financial Statements

For the year ended 31 December 2016

9. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2016 HK\$	2015 HK\$
Net realised loss on disposals of financial assets at fair value through profit or loss	(52,783)	(755,380)
Net unrealised loss on financial assets at fair value through profit or loss	(5,049,730)	(15,605,530)
	(5,102,513)	(16,360,910)

10. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has no assessable profit for the year (2015: Nil).

The reconciliation between the income tax and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2016 HK\$	2015 HK\$
Loss before tax	(13,044,689)	(19,702,564)
Tax at 16.5% (2015: 16.5%)	(2,152,374)	(3,250,923)
Tax effect of income that is not taxable	(20,775)	(19,101)
Tax effect of expenses that are not deductible	33,063	—
Tax effect of temporary differences not recognised	2,140,086	3,270,024
Income tax	—	—

Notes to the Financial Statements

For the year ended 31 December 2016

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The Company's loss for the year attributable to owners of the Company is stated after charging the following:

	2016 HK\$	2015 HK\$
Auditor's remuneration	186,000	184,000
Depreciation	78,881	—
Investment management fee (Note 12)	703,871	412,258
Operating lease charges — land and buildings	2,143,667	168,000

12. CONTINUING CONNECTED TRANSACTIONS

On 3 June 2015, the Company entered into an investment management agreement (the "Management Agreement") with Success Talent Investments Limited ("Success Talent") for the provision of investment management services to the Company for a period of two years from 26 July 2015 with investment management fee of HK\$40,000 per month payable monthly in arrears. A written confirmation between the Company and Success Talent was made to terminate the Management Agreement with effect from 12 May 2016. During the year, the investment management fee of HK\$245,161 (including the early termination payment) was paid by the Company to Success Talent.

On 12 May 2016, the Company entered into the new management agreement with China Everbright Securities (Hong Kong) Limited ("CES"), for the provision of investment management services to the Company for a period of two years from 12 May 2016 with investment management fee of HK\$60,000 per month payable monthly in arrears. During the year, the investment management fee of HK\$458,710 was paid by the Company to CES.

Rule 14A.08 of the Listing Rules provides that where a listed company is an investment company listed under Chapter 21 of the Listing Rules, its connected persons also include an investment manager. Accordingly, the provision of investment management services by the investment managers to the Company under the above-mentioned investment management agreements constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Notes to the Financial Statements

For the year ended 31 December 2016

13. EMPLOYEE BENEFITS EXPENSE

	2016 HK\$	2015 HK\$
Employee benefits expense including directors' emoluments:		
Basic salaries and allowances	2,441,994	548,400
Discretionary bonus	69,852	16,000
Retirement benefit scheme contributions	40,989	16,300
	2,552,835	580,700

Five highest paid individuals

During the reporting period, except chief executive officer's emoluments, none (2015: four) of the Directors' emoluments, which are reflected in the analysis presented in note 14, included in the five highest paid individuals of the Company. The emoluments of the remaining five (2015: one) individuals including chief executive officer are set out below:

	2016 HK\$	2015 HK\$
Basic salaries and allowances	1,597,300	192,000
Discretionary bonus	37,831	16,000
Retirement benefit scheme contributions	21,971	10,300
	1,657,102	218,300

The emoluments fell within the following band:

	Number of individuals	
	2016	2015
Nil to HK\$1,000,000	5	1

Notes to the Financial Statements

For the year ended 31 December 2016

14. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

(a) Directors' and chief executive officer's emoluments

The emoluments of each directors and chief executive officer, on a named basis, for the year ended 31 December 2016 and 2015 are set out below:

	Fees HK\$	Salaries HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
Executive Directors				
Mr. CHAN Chak Paul	180,000	—	9,000	189,000
Mr. NGAI Wah Sang (i)	30,000	—	1,500	31,500
Mr. WANG Daming	60,000	—	—	60,000
Independent Non-executive Directors				
Mr. CHAN Francis Ping Kuen	60,000	—	—	60,000
Dato' TAN Yee Boon	60,000	—	—	60,000
Mr. MOK Ho Ming (ii)	19,500	—	—	19,500
Mr. WANG Jia Hua (iii)	55,000	—	—	55,000
Chief Executive Officer				
Mr. ZHANG Yufei (iv)	—	589,839	—	589,839
Total for 2016	464,500	589,839	10,500	1,064,839

Notes to the Financial Statements

For the year ended 31 December 2016

14. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (Continued)

(a) Directors' and chief executive officer's emoluments (Continued)

The emoluments of each directors and chief executive officer, on a named basis, for the year ended 31 December 2016 and 2015 are set out below: (Continued)

	Fees HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
Executive Directors			
Mr. CHAN Chak Paul	59,400	3,000	62,400
Mr. NGAI Wah Sang (i)	59,400	3,000	62,400
Mr. WANG Daming	59,400	—	59,400
Independent Non-executive Directors			
Mr. CHAN Francis Ping Kuen	59,400	—	59,400
Dato' TAN Yee Boon	59,400	—	59,400
Mr. WANG Jia Hua (iii)	59,400	—	59,400
Total for 2015	356,400	6,000	362,400

Notes:

- (i) Resigned on 16 June 2016
- (ii) Appointed on 22 November 2016
- (iii) Resigned on 22 November 2016
- (iv) Appointed on 28 July 2016

The Non-executive Director, Mr. SUN Bo, was appointed on 14 March 2016 and agreed to waive his entitlement to receive remuneration during the contractual service period. For the year ended 31 December 2015, neither the chief executive nor any of the directors waived or agreed to waive any emoluments.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a Director of the Company and the Director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Notes to the Financial Statements

For the year ended 31 December 2016

15. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2016 (2015: Nil).

16. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK\$13,044,689 (2015: HK\$19,702,564) and the weighted average number of ordinary shares of 115,480,874 (2015: 97,000,000) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during two years ended 31 December 2015 and 2016.

17. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Furniture and fixtures HK\$	Computer equipment HK\$	Total HK\$
Costs				
At 1 January 2016	—	—	—	—
Additions and at 31 December 2016	68,627	334,476	69,527	472,630
Accumulated depreciation				
At 1 January 2016	—	—	—	—
Charge for the year and At 31 December 2016	12,410	55,746	10,725	78,881
Carrying amount				
At 31 December 2016	56,217	278,730	58,802	393,749
At 31 December 2015	—	—	—	—

Notes to the Financial Statements

For the year ended 31 December 2016

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK\$	2015 HK\$
Equity securities listed in Hong Kong, at cost	14,465,754	38,387,794
Net fair value gains/(losses)	4,655,801	(13,406,484)
Fair value as at 31 December	19,121,555	24,981,310

The carrying amounts of the above financial assets are held for trading.

The investments included above represent investments in listed equity securities that offer the Company the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

The fair values of the listed securities are based on quoted market prices.

Particulars of the Company's financial assets at fair value through profit or loss as at 31 December 2016 are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Fair value gains/(losses) HK\$	Dividend income received during the year HK\$	Dividend cover	Net assets attributable to the Company HK\$
(a) China Dynamics (Holdings) Limited ("China Dynamics")	Bermuda	48,095,000	1.08%	8,295,668	13,226,125	4,930,457	—	N/A	34,072,201
(b) Hong Kong Exchanges and Clearing Limited ("HKEX")	Hong Kong	20,000	Less than 1%	4,188,771	3,664,000	(524,771)	101,600	1.8	527,083
(c) Tencent Holdings Limited ("Tencent")	Cayman Islands	6,900	Less than 1%	1,039,315	1,308,930	269,615	3,243	8.0	141,289
(d) CSOP FTSE CHINA A50 ETF ("CSOP A50 ETF")	Hong Kong	50,000	Less than 1%	555,000	546,000	(9,000)	14,978	3.7	729,379
(e) ChinaAMC CSI 300 Index ETF ("CAM CSI300")	Hong Kong	10,000	Less than 1%	387,000	376,500	(10,500)	3,468	16.7	426,316
				14,465,754	19,121,555	4,655,801	123,289		

Notes to the Financial Statements

For the year ended 31 December 2016

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

A brief description of the business and financial information of the listed investee companies, based on their published annual and interim reports, is as follows:

- (a) China Dynamics is principally engaged in (i) investment holding, (ii) trading of metals and mineral, (iii) development of new business related to electric vehicles; and (iv) processing and trading of raw ores and mineral resources. The audited consolidated loss attributable to owners of China Dynamics for the year ended 31 March 2016 was approximately HK\$120,140,000 (2015: HK\$48,414,000). As at 31 March 2016, the audited consolidated net asset value attributable to owners of China Dynamics was approximately HK\$3,279,980,000 (2015: HK\$3,544,118,000). The unaudited consolidated loss attributable to owners of China Dynamics for the six months ended 30 September 2016 was approximately HK\$48,904,000 (2015: HK\$68,798,000). As at 30 September 2016, the unaudited consolidated net asset value attributable to owners of China Dynamics was approximately HK\$3,149,737,000 (2015: HK\$3,354,800,000).
- (b) HKEX owns and operates (i) the only stock exchange and a futures exchange in Hong Kong and their related clearing houses; (ii) a clearing house for clearing over-the-counter derivatives contracts in Hong Kong; and (iii) an exchange for trading of base metals forward and options contracts operating in the United Kingdom. The audited consolidated profit attributable to owners of HKEX for the year ended 31 December 2016 was approximately HK\$5,769,000,000 (2015: HK\$7,956,000,000). As at 31 December 2016, the audited consolidated net asset value attributable to owners of HKEX was approximately HK\$32,266,000,000 (2015: HK\$29,816,000,000).
- (c) Tencent is principally engaged in provision of Internet and mobile value-added services, online advertising services and e-commerce transactions services to users in the People's Republic of China. The audited consolidated profit attributable to owners of Tencent for the year ended 31 December 2016 was approximately HK\$47,945,536,000 (2015: HK\$35,434,260,000). As at 31 December 2016, the audited consolidated net asset value attributable to owners of Tencent was approximately HK\$194,059,651,000 (2015: HK\$141,173,163,000).
- (d) CSOP A50 ETF is a physical exchange traded fund which invests directly in the FTSE China A50 Index securities through the Renminbi Qualified Foreign Institutional Investor investment quotas of CSOP Asset Management Limited and Shanghai-Hong Kong Stock Connect Program. The audited profit attributable to unitholders of CSOP A50 ETF for the year ended 31 December 2015 was approximately HK\$1,766,174,000 (2014: HK\$21,163,640,000). As at 31 December 2015, the audited net asset value attributable to unitholders of CSOP A50 ETF was approximately HK\$21,558,672,000 (2014: HK\$37,682,729,000). The unaudited loss attributable to unitholders of CSOP A50 ETF for the period ended 30 June 2016 was approximately HK\$2,610,056,000 (2015: profit of HK\$4,618,186,000). As at 30 June 2016, the unaudited net asset value attributable to unitholders of CSOP A50 ETF was approximately HK\$25,316,730,000 (2015: HK\$30,756,759,000).

Notes to the Financial Statements

For the year ended 31 December 2016

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

- (e) CAM CSI300 is a physical exchange traded fund which invests directly in underlying A-Shares of the CSI 300 Index through the Renminbi Qualified Foreign Institutional Investor investment quotas of China Asset Management (Hong Kong) Limited. The audited profit attributable to unitholders of CAM CSI300 for the year ended 31 December 2015 was approximately HK\$1,629,587,000 (2014: HK\$5,487,280,000). As at 31 December 2015, the audited net asset value attributable to unitholders of CAM CSI300 was approximately HK\$12,035,896,000 (2014: HK\$14,772,694,000). The unaudited loss attributable to unitholders of CAM CSI300 for the period ended 30 June 2016 was approximately HK\$1,841,652,000 (2015: profit of HK\$3,712,000,000). As at 30 June 2016, the unaudited net asset value attributable to unitholders of CAM CSI300 was approximately HK\$11,938,989,000 (2015: HK\$16,291,982,000).

19. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities and assets recognised by the Company:

	Fair value gains from financial assets at fair value through profit or loss HK\$	Tax losses HK\$	Total HK\$
At 1 January 2015	(1,334,673)	1,334,673	—
Charge/(Credit) to profit or loss	1,334,673	(1,334,673)	—
At 31 December 2015 and 1 January 2016	—	—	—
Charge/(Credit) to profit or loss	1,246,596	(1,246,596)	—
At 31 December 2016	1,246,596	(1,246,596)	—

At the end of the reporting period, the Company has unused tax losses of HK\$52,284,051 (2015: HK\$20,974,102) available for offset against future profits. A deferred tax asset had been recognised in respect of HK\$7,555,126 (2015: Nil) of such losses and off-set by the deferred tax liabilities within the same tax jurisdiction. No deferred tax asset has been recognised in respect of the tax losses of HK\$44,728,925 (2015: HK\$20,974,102) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31 December 2016

20. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.02 each		
At 1 January 2015, 31 December 2015 and 31 December 2016	1,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2015, 31 December 2015 and 1 January 2016	97,000,000	1,940,000
Issued of shares (note a)	19,000,000	380,000
At 31 December 2016	116,000,000	2,320,000

Note:

- (a) On 24 December 2015, the Company and RHB Securities Hong Kong Limited entered into a placing agreement in respect of the placement of 19,000,000 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.7 per share (the Placing Shares"). The placement was completed on 11 January 2016 and the Placing Shares were allotted and issued by the Company to not fewer than six placees, who are professional investors as defined under the SFO, at the placing price of HK\$0.7 per Placing Share. The premium on the issue of shares amounting to HK\$12,586,461, net of share issue expenses of HK\$333,539, was credited to the Company's share premium account.

The Company's objectives when managing capital are to safeguard the Company'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 Directors of the Company consider the capital comprises all components of equity.

The Company sets the amount of capital in proportion to risk. The Company 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 Company may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes had been made in the objectives, policies and processes during the years ended 31 December 2016 and 2015.

The only externally imposed capital requirement is that for the Company to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Company receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year.

Notes to the Financial Statements

For the year ended 31 December 2016

21. SHARE OPTIONS

During the years ended 31 December 2015 and 2016, no option was granted, exercised, cancelled or lapsed under the 2006 Share Option Scheme of the Company and the new Share Option Scheme adopted by the Company on 16 May 2016. There was no outstanding share option as at 31 December 2015 and 2016.

22. RESERVES

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2015 and 2016 are presented in the statement of profit or loss and other comprehensive income and statement of changes in equity.

Nature and purpose of reserves

(a) *Share premium account*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) *Contributed surplus account*

Under the Bermuda Companies Act 1981, the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Notes to the Financial Statements

For the year ended 31 December 2016

23. CONTINGENT LIABILITIES

As at 31 December 2016, the Company did not have any significant contingent liabilities (2015: Nil).

24. LEASE COMMITMENTS

At 31 December 2016 the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2016 HK\$	2015 HK\$
Within one year	2,856,000	84,000
In the second to fifth years inclusive	2,725,100	—
	5,581,100	84,000

Operating lease payments represent rentals payable by the Company for the office. Rentals are fixed over the lease terms and do not include contingent rentals.

25. RELATED PARTY TRANSACTION

Compensation of key management personnel

The key management personnel of the Company comprises all directors and the chief executive officer, details of their remuneration are disclosed in note 14 to the financial statements.

26. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 31 December 2016 of HK\$33,247,769 (2015: HK\$33,325,997) and the number of ordinary shares of 116,000,000 (2015: 97,000,000) in issue as at that date.

Notes to the Financial Statements

For the year ended 31 December 2016

27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The change included the presentation of net change in fair value of financial assets in the statement of profit or loss.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 24 March 2017.