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## EARNEST INVESTMENTS HOLDINGS LIMITED

安利時投資控股有限公司\*

(Continued into Bermuda with limited liability)

(Stock Code: 339)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board of directors (the “Board”) of Earnest Investments Holdings Limited (the “Company”) is pleased to announce that the audited results of the Company for the year ended 31 December 2016 together with the comparative figures for the corresponding year 2015 are as follows:

#### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 HK\$	2015 HK\$
Revenue	4	125,905	115,760
Net change in fair value of financial assets	5	(5,102,513)	(16,360,910)
Administrative and other operating expenses		<u>(8,068,081)</u>	<u>(3,457,414)</u>
<b>Loss before tax</b>		<b>(13,044,689)</b>	<b>(19,702,564)</b>
Income tax	6	<u>—</u>	<u>—</u>
<b>Loss for the year attributable to owners of the Company</b>	7	<b>(13,044,689)</b>	<b>(19,702,564)</b>
<b>Other comprehensive income for the year, net of tax</b>		<u>—</u>	<u>—</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b><u>(13,044,689)</u></b>	<b><u>(19,702,564)</u></b>
<b>Loss per share</b>			
Basic	9	<u>(0.113)</u>	<u>(0.203)</u>

# STATEMENT OF FINANCIAL POSITION

At 31 December 2016

	<i>Note</i>	<b>2016</b> <b>HK\$</b>	2015 <i>HK\$</i>
<b>Non-current assets</b>			
Property, plant and equipment		<u>393,749</u>	<u>—</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		19,121,555	24,981,310
Prepayments, deposits and other receivables		397,840	141,556
Bank and cash balances		<u>14,171,225</u>	<u>8,449,793</u>
		<u>33,690,620</u>	<u>33,572,659</u>
<b>Current liabilities</b>			
Accruals and other payables		<u>836,600</u>	<u>246,662</u>
<b>Net current assets</b>		<u>32,854,020</u>	<u>33,325,997</u>
<b>Total assets less current liabilities</b>		<u>33,247,769</u>	<u>33,325,997</u>
<b>NET ASSETS</b>		<u><u>33,247,769</u></u>	<u><u>33,325,997</u></u>
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		2,320,000	1,940,000
Reserves		<u>30,927,769</u>	<u>31,385,997</u>
<b>TOTAL EQUITY</b>		<u><u>33,247,769</u></u>	<u><u>33,325,997</u></u>
<b>Net asset value per share</b>	10	<u><u>0.29</u></u>	<u><u>0.34</u></u>

## **NOTES TO THE FINANCIAL STATEMENTS**

*For the year ended 31 December 2016*

### **1. CORPORATE INFORMATION**

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.
- 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 <sup>1</sup>
Amendments to HKAS 12	Income Taxes: Recognition of deferred tax assets for unrealised losses <sup>1</sup>
HKFRS 9	Financial Instruments <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>

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

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

<sup>3</sup> 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.

#### 4. REVENUE

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

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.

#### 5. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2016 <i>HK\$</i>	2015 <i>HK\$</i>
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	<u>(5,049,730)</u>	<u>(15,605,530)</u>
	<u><u>(5,102,513)</u></u>	<u><u>(16,360,910)</u></u>

## 6. 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:

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Loss before tax	<u>(13,044,689)</u>	<u>(19,702,564)</u>
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	<u>2,140,086</u>	<u>3,270,024</u>
Income tax	<u>—</u>	<u>—</u>

## 7. 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:

	<b>2016</b>	2015
	<i>HK\$</i>	<i>HK\$</i>
Auditor's remuneration	186,000	184,000
Depreciation	78,881	—
Directors' and chief executive's emoluments		
— Fees	464,500	356,400
— Salaries	589,839	—
— Retirements benefits scheme contributions	10,500	6,000
	1,064,839	362,400
Investment management fee ( <i>Note 8</i> )	703,871	412,258
Operating lease charges — land and buildings	<u>2,143,667</u>	<u>168,000</u>

## **8. 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 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 Existing 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 (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.

## **9. 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.

## **10. 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.

## 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.



## **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**

Save as disclosed above in the section headed “Liquidity, Financial Resources and Funding”, there was not any other material change on Company’s overall share structure for the year ended 31 December 2016. 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.

## **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.

## **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.

## **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 announcement.

## **DIVIDEND**

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

## **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 announcement.

## **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.

## **CORPORATE GOVERNANCE**

The Company has adopted the code provisions set out in the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Listing Rules. The Company has complied with the 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. The Company has commenced the search for suitable candidate as the new chief executive officer of the Company. With effect from 28 July 2016, Mr. ZHANG Yufei has been appointed as the chief executive officer of the Company.

## **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.

## **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.

## **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.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee"), with its terms of reference established in compliance with the Listing Rules, comprises three Independent Non-executive Directors, Mr. CHAN Francis Ping Kuen, Dato' TAN Yee Boon and Mr. MOK Ho Ming. The Audit Committee has reviewed with the management of the Company's audited financial statements for the year ended 31 December 2016 including the accounting principles and practices adopted by the Company and has also discussed with management of the Company the financial reporting procedures, internal controls and risk management systems.

## **SCOPE OF WORK OF RSM HONG KONG**

The figures in respect of this announcement of the Company's results for the year ended 31 December 2016 have been agreed by the Company's auditor, RSM Hong Kong, to the amounts set out in the Company's audited financial statements for the year ended 31 December 2016. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountant and consequently no assurance has been expressed by RSM Hong Kong on this announcement.

## **DISCLOSURE OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) as well as the Company's website at [www.earnest-inv.com](http://www.earnest-inv.com). The annual report of the Company for the year ended 31 December 2016 containing all information required under the Listing Rules will be dispatched to the shareholders of the Company and will be made available on the websites of the Stock Exchange and the Company in due course.

## **ANNUAL GENERAL MEETING**

It is proposed that the Annual General Meeting of the shareholders of the Company will be held on a date to be fixed by the Board. Notice of Annual General Meeting will be published and despatched to the shareholders of the Company in due course.

By order of the Board  
**Earnest Investments Holdings Limited**  
**CHAN Chak Paul**  
*Chairman*

Hong Kong, 24 March 2017

*As at the date of this announcement, the board of directors of the Company consists of two Executive Directors, Mr. CHAN Chak Paul and Mr. WANG Daming, one Non-executive Director, Mr. SUN Bo and three Independent Non-executive Directors, Mr. CHAN Francis Ping Kuen, Dato' TAN Yee Boon and Mr. MOK Ho Ming.*

\* *for identification purposes only*