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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 2017

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 2017 together with the comparative figures for the corresponding year 2016 are as follows:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Note</i>	2017 HK\$	2016 <i>HK\$</i>
Revenue	4	112,013	125,905
Net change in fair value of financial assets	5	3,047,632	(5,102,513)
Administrative and other operating expenses		(9,751,608)	(8,068,081)
Loss before tax		(6,591,963)	(13,044,689)
Income tax	6	—	—
Loss for the year attributable to owners of the Company	7	(6,591,963)	(13,044,689)
Other comprehensive income for the year, net of tax		—	—
Total comprehensive income for the year attributable to owners of the Company		(6,591,963)	(13,044,689)
Loss per share			
Basic	9	(0.056)	(0.113)

STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	<i>Note</i>	2017 HK\$	2016 <i>HK\$</i>
Non-current assets			
Property, plant and equipment		<u>331,215</u>	<u>393,749</u>
Current assets			
Financial assets at fair value through profit or loss		5,573,317	19,121,555
Prepayments, deposits and other receivables		450,332	397,840
Bank and cash balances		<u>36,226,467</u>	<u>14,171,225</u>
		<u>42,250,116</u>	<u>33,690,620</u>
Current liabilities			
Accruals and other payables		<u>308,500</u>	<u>836,600</u>
Net current assets		<u>41,941,616</u>	<u>32,854,020</u>
Total assets less current liabilities		<u>42,272,831</u>	<u>33,247,769</u>
NET ASSETS		<u><u>42,272,831</u></u>	<u><u>33,247,769</u></u>
Capital and reserves attributable to owners of the Company			
Share capital		2,784,000	2,320,000
Reserves		<u>39,488,831</u>	<u>30,927,769</u>
TOTAL EQUITY		<u><u>42,272,831</u></u>	<u><u>33,247,769</u></u>
Net asset value per share	<i>10</i>	<u><u>0.30</u></u>	<u><u>0.29</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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).

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 2017. Of these, the following new or revised HKFRSs are relevant to the Company but none of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendments had no effect on the Company's statement of cash flows as the Company has no liabilities arising from financing activities.

Amendments to HKAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses, for example, those on debt instruments measured at fair value. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The amendments had no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments.

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 16 Leases	1 January 2019

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. Further details of the expected impacts are discussed below.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Company's operating leases. The Company's office premises lease is currently classified as 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.

The Company's future minimum lease payments under the non-cancellable operating lease for its office premises amounted to HK\$2,725,100 as at 31 December 2017. The lease is expected to be recognised as lease liability, with corresponding right-of-use asset, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Company.

4. REVENUE

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Dividend income from listed investments	109,968	123,289
Bank and other interest income	2,045	2,616
	<u>112,013</u>	<u>125,905</u>
Revenue		
	<u>112,013</u>	<u>125,905</u>
Proceeds from disposals of financial assets at fair value through profit or loss	23,290,540	1,699,242
Gross proceeds from disposal of investments	23,290,540	1,699,242

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Net realised losses on disposals of financial assets at fair value through profit or loss	(685,026)	(52,783)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	3,732,658	(5,049,730)
	<u>3,047,632</u>	<u>(5,102,513)</u>

6. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has sufficient tax losses brought forward to set-off against current year's assessable profit. For the year ended 31 December 2017, no provision for Hong Kong Profits Tax was required since the Company had no assessable profit for that year.

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

	2017 <i>HK\$</i>	2016 <i>HK\$</i>
Loss before tax	(6,591,963)	(13,044,689)
Tax at 16.5% (2016: 16.5%)	(1,087,674)	(2,152,374)
Tax effect of income that is not taxable	(18,481)	(20,775)
Tax effect of expenses that is not deductible	17,325	33,063
Tax effect of temporary differences not recognised	1,203,611	2,140,086
Tax effect of utilisation of tax losses not previously recognised	(114,781)	–
	<u>–</u>	<u>–</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:

	2017 HK\$	2016 HK\$
Auditor's remuneration	195,000	186,000
Depreciation	108,334	78,881
Directors' and chief executive officer's emoluments		
– Fees	536,135	464,500
– Salaries	1,380,000	589,839
– Retirement benefit scheme contributions	4,839	10,500
	1,920,974	1,064,839
Investment management fee (<i>Note 8</i>)	720,000	703,871
Operating lease charges – land and buildings	2,948,450	2,143,667

8. CONTINUING CONNECTED TRANSACTIONS

On 12 May 2016, the Company entered into an investment management agreement with China Everbright Securities (HK) 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\$720,000 (2016: 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 manager to the Company under the above-mentioned investment management agreement 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\$6,591,963 (2016: HK\$13,044,689) and the weighted average number of ordinary shares of 116,762,739 (2016: 115,480,874) 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 2017 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 2017 of HK\$42,272,831 (2016: HK\$33,247,769) and the number of ordinary shares of 139,200,000 (2016: 116,000,000) in issue as at that date.

MANAGEMENT DISCUSSION AND ANALYSIS

Results and Appropriations

The Company recorded a turnover of approximately HK\$23,400,000 for the year ended 31 December 2017, a 1200% increase from approximately HK\$1,800,000 for the corresponding period of the previous year. Of the total turnover, approximately HK\$23,290,000 or 99.5% was generated from disposal proceeds of financial assets at fair value through profit and loss and approximately HK\$110,000 or 0.5% was generated from dividend income from listed investments as well as bank and other interest income. Increase in turnover was mainly attributable to the increase in trading volume of listed securities.

The loss attributable to owners of the Company for the year ended 31 December 2017 was approximately HK\$6,592,000, a 49% decrease in loss from approximately HK\$13,045,000 for the same period of the previous year.

The Company's administrative and other operating expenses amounted to approximately HK\$9,752,000 for the year ended 31 December 2017 whereas approximately HK\$8,068,000 for the same period in the previous year.

The basic loss per share for the year ended 31 December 2017 was HK\$0.056 while the Company recorded the basic loss per share of HK\$0.113 for the corresponding period in previous year. The decrease in net loss was mainly contributed by the unrealised gains on the Hong Kong listed securities on hand as a result of the buoyant market, while such effect was slightly mitigated by the increase in administrative and other operating expenses.

Business Review

2017 has been a remarkable year of growth in both developed market and emerging market. A strong economic upswing across the world has boosted investment sentiment in capital markets. The global economic environment continues to improve. The securities market in Hong Kong recorded a strong performance in 2017 amid robust market momentum. Hang Seng Index grew more than 25% which outperformed other Asian index in 2017 and is expected to climb up further. Given the bullish securities market in Hong Kong, the Company recorded a significant growth in turnover and gain on financial assets through profit and loss.

Further the vision of "One Belt One Road" pioneered by President Xi Jinping since 2013, Hong Kong can actively take part in the Belt-Road Initiatives as "investors, connectors and supports". It is believed that the Belt-Road Initiatives will bring in visible economic benefits for both China and Hong Kong. Subsequent the 19th National Congress of the Communist Party of China, it is expected that the execution of economic policy will be faster and the economic growth driver in 2018 remains high in return. Hence, the Company will tag itself into China market in order to capture the potential gain brought by Belt-Road Initiatives in future.

Notwithstanding the positive factors mentioned above, the Company remains cautious on the Hong Kong, China and global market. In China, guarding against financial risks will be the Chinese government's top priority. Tighter measures relating to containment of financial bubbles and deleveraging and environmental pollution control are expected. For global market, uncertainty about the Fed rate hike brings confusing signals to the market in its normalization process. People stay alert on geopolitical threats in Europe, North Korea and the Middle East. Strong US dollar could also limit the upside potential of Hong Kong and China stock market. Since the operating results of the Company are mostly driven by investments in trading securities, the prevailing global stock market directly impacts on the performance of the Company. The Company will be careful in making new investments with the aim to drive sustainable profit growth across the markets, generate strong returns for investors and contribute even more to the communities.

During the year, the turnover surged over 1200% to approximately HK\$23,400,000, while it was approximately HK\$1,800,000 last year due to increase in trading of listed securities. The Company has seized the opportunity to disposed part of the listed securities in view of the bullish market. The gain from net change in fair value of financial assets was approximately HK\$3,048,000 as compared to loss from net change in fair value of financial asset of approximately HK\$5,103,000 for the same period in the previous year. The share portfolio of the Company has dropped 71% to approximately HK\$5,573,000 as at 31 December 2017 as compared to approximately HK\$19,122,000 last year.

The Company's portfolio of listed securities as at 31 December 2017 consisted of New China Life Insurance Company Limited, China Taiping Insurance Holdings Company Limited, Ping An Insurance (Group) Company of China, Limited, The Wharf (Holdings) Limited, China Pacific Insurance (Group) Company Limited, Sun Hung Kai Properties Limited, CK Asset Holdings Limited, China Resources Land Limited, CK Hutchison Holdings Limited, HSBC Holdings Plc, China Overseas Land & Investment Limited, Tianjin Development Holdings Limited, Sunac China Holdings Limited, China Life Insurance Company Limited, Enterprise Products Partners L.P., Energy Transfer Partners L.P., Cityneon Holdings Limited.

As at 31 December 2017, approximately 13% (2016: 56%) of the Company's total investments were in a portfolio of listed securities, 1% (2016: 1%) in property, plant and equipment, 1% (2016: 1%) in other assets and 85% (2016: 42%) in cash which was deposited with banks and a financial institute in Hong Kong.

Liquidity, Financial Resources and Funding

The Company mainly relies upon shareholders' funds, funds from placing of shares and cash generated from its business operations to finance its operation and expansion. The Company maintained a strong cash position, cash and cash equivalents amounting to HK\$36,226,467 as at 31 December 2017 (2016: HK\$14,171,225). As at 31 December 2017, the net asset value of the Company was HK\$42,272,831 (2016: HK\$33,247,769) with net asset value per share of HK\$0.30 (2016: HK\$0.29).

On 1 December 2017, the Company entered into a placing agreement with a placing agent in respect of the placement of 23,200,000 ordinary shares of HK\$0.02 each at a price of HK\$0.68 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 20 December 2017 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\$0.68 per Placing Share. Details of the said placing were disclosed in the announcements of the Company dated 1 December 2017 and 20 December 2017. Of the net proceeds approximately HK\$15,600,000, the Company intends to use it for future investment and business development and as general working capital of the Company.

The Company has no significant liabilities. The Company’s total borrowings comprising accruals and other payables, amounted to HK\$308,500 as at 31 December 2017 (2016: HK\$836,600). The gearing ratio of the Company, calculated on the basis of the Company’s total liabilities over total owners’ equity, was 0.007 as at 31 December 2017 (2016: 0.025).

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 2017. The Capital of the Company comprises only ordinary shares as at 31 December 2017 and 2016.

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 2017, the Company incurred capital expenditure in the amount of HK\$45,800 (2016: HK\$472,630).

Capital Commitments

As at 31 December 2017, the Company did not have any significant capital commitments.

Foreign Exchange Exposure

The Board believes that the Company has certain exposure to foreign exchange risk as some of the business transactions of the Company are denominated in United States dollars and Singapore dollars. The Company currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Company will monitor the foreign currency exposure closely.

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 10 (2016: 12) staff including Directors and the total staff costs for the year amounted to HK\$3,723,228 (2016: HK\$2,552,835). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets

As at 31 December 2017, there were no charges in the Company's assets.

Contingent Liabilities

The Company did not have any significant contingent liabilities as at 31 December 2017.

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

On 15 January 2018, the Company established two subsidiaries in the British Virgin Islands, CEIG One Limited and CEIG Two Limited, with paid up capital of US\$100 for each of the subsidiary.

On 31 January 2018, CEIG One Limited further established a subsidiary in Hong Kong, Hong Kong CEIG One Limited, with paid up capital of HK\$100.

On 20 March 2018, Mr. SUN Bo, a non-executive Director, has been re-designated as an executive Director of the Company with immediate effect.

DIVIDEND

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

SIGNIFICANT INVESTMENT HELD

Save as disclosed above, the Company did not hold any other significant investment held during the year ended 31 December 2017.

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. 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.

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 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 and complied with the code provisions set out in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules.

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. CHEN Ming, Mr. MOK Ho Ming and Mr. WONG Yan Wai George. The Audit Committee has reviewed with the management of the Company's audited financial statements for the year ended 31 December 2017 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 2017 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 2017. 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 as well as the Company's website at www.earnest-inv.com. The annual report of the Company for the year ended 31 December 2017 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
SUN Bo
Chairman

Hong Kong, 23 March 2018

As at the date of this announcement, the board of directors of the Company consists of two Executive Directors Mr. SUN Bo (Chairman) and Mr. WANG Daming, and three Independent Non-executive Directors, Mr. CHEN Ming, Mr. MOK Ho Ming and Mr. WONG Yan Wai George.

** for identification purposes only*