

Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code: 339)



2017
ANNUAL
REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. SUN Bo (*Chairman*)¹
Mr. WANG Daming

Independent Non-executive Directors

Mr. CHEN Ming²
Mr. MOK Ho Ming
Mr. WONG Yan Wai George³

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

Notes:

¹ Re-designated as Executive Director on 20 March 2018

² Appointed on 31 May 2017

³ Appointed on 11 April 2017

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

AUDIT COMMITTEE

Mr. MOK Ho Ming (*Chairman*)
Mr. CHEN Ming
Mr. WONG Yan Wai George

REMUNERATION COMMITTEE

Mr. WONG Yan Wai George (*Chairman*)
Mr. MOK Ho Ming
Mr. SUN Bo

NOMINATION COMMITTEE

Mr. SUN Bo (*Chairman*)
Mr. MOK Ho Ming
Mr. WONG Yan Wai George

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited

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 2017.

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.

Chairman's Statement

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.

Chairman's Statement

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.

Details of Environmental, Social and Governance report of the Company for the year ended 31 December 2017 is set out on page 31 of this Annual Report.

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.

Chairman's Statement

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 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.

Prospects

The management of the Company will adopt a conservative approach in managing the existing investments in accordance with the Company's investment objectives and policies. On the other hand, the Company will continue to seek and evaluate good investment opportunities to enrich the investment portfolio, aiming to maximize the return for the shareholders of the Company.

Events after the Reporting Period

Details of significant events occurring after the reporting period are set out in note 26 to the financial statements.

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.

SUN Bo
Chairman

Hong Kong, 23 March 2018

Biographical Details of Directors and Senior Management

Executive Directors

Mr. SUN Bo, aged 36, was appointed as a Non-executive Director on 14 March 2016 and re-designated as an Executive Director on 20 March 2018. He was further appointed as the chairman of the Board on 26 May 2017. He obtained a Master Degree in Business Administration from the American National University in 2005. He also obtained a post graduate diploma in Business Administration from the Society of Business Practitioners in England (the “SBP”) in 2017 and certified as the Honorable Fellow of the SBP. Mr. SUN has extensive experience in finance and real estate development and management in the People’s Republic of China.

Mr. WANG Daming, aged 57, 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.

Independent Non-executive Directors

Mr. CHEN Ming, aged 34, was appointed as an Independent Non-executive Director on 31 May 2017. Mr. CHEN holds a master degree of Business Administration from The Chinese University of Hong Kong and a bachelor degree of Law from Shenzhen University in the People’s Republic of China (the “PRC”). He has been qualified as a lawyer in PRC since 2010. Mr. CHEN has extensive experience in corporate financing and legal fields in PRC.

Mr. MOK Ho Ming, aged 43, 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 16 years of experience in accounting, taxation, auditing and corporate finance.

Mr. WONG Yan Wai George, aged 33, 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 in-depth financial analysis and audio programmes to its subscribers.

Biographical Details of Directors and Senior Management

Chief Executive Officer

Mr. ZHANG Yufei, aged 33, 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 practitioner. 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 33, 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 10 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 2017.

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 2017 is set out in Management Discussion and Analysis section under the Chairman’s Statements on pages 3 and 4 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 2017 are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 42.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016: 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 statement of changes in equity.

At 31 December 2017, the reserves available for distribution to shareholders pursuant to the Bermuda Companies Act 1981 amounted to HK\$Nil (2016: HK\$Nil).

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				
	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$
Turnover	23,402,553	1,825,147	39,543,770	26,820,062	12,919,627
(Loss)/profit before tax	(6,591,963)	(13,044,689)	(19,702,564)	645,136	(6,409,799)
Income tax expense	–	–	–	–	–
(Loss)/profit for the year attributable to owners of the Company	(6,591,963)	(13,044,689)	(19,702,564)	645,136	(6,409,799)

Assets and liabilities

	As at 31 December				
	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$	2013 HK\$
Total assets	42,581,331	34,084,369	33,572,659	53,244,098	35,475,604
Total liabilities	(308,500)	(836,600)	(246,662)	(215,537)	(252,179)
Total equity	42,272,831	33,247,769	33,325,997	53,028,561	35,223,425

SHARE ISSUED DURING THE YEAR

On 20 December 2017, the Company issued 23,200,000 ordinary shares of HK\$0.02 each at placing price of HK\$0.68 per share for total consideration of HK\$15.8 million. The net proceeds from the placing is approximately HK\$15.6 million, which is intended to be used for future investment and business development and as general working capital of the Company. Further details have been set out in the announcements of the Company on 1 December 2017 and 20 December 2017 respectively.

Details of the shares issued during the year ended 31 December 2017 are set out in note 19 to the financial statements.

Report of the Directors

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 2017.

PRE-EMPTIVE RIGHTS

There is 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. SUN Bo (*Chairman*) – re-designated as an executive director on 20 March 2018

Mr. WANG Daming

Mr. CHAN Chak Paul (*Chairman*) – retired on 26 May 2017

Non-executive Directors

Mr. SUN Bo (*Chairman*) – re-designated as an executive director on 20 March 2018

Independent Non-executive Directors

Mr. MOK Ho Ming

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

Mr. CHEN Ming – appointed on 31 May 2017

Mr. CHAN Francis Ping Kuen – retired on 26 May 2017

Dato' TAN Yee Boon – resigned on 31 May 2017

In accordance with the Bye-law 99 of the Company's Bye-Laws, Mr. SUN Bo and Mr. WANG Daming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with the Bye-law 102(A) of the Company's Bye-laws, Mr. CHEN Ming who has been appointed as an Independent Non-executive Director of the Company on 31 May 2017 shall hold office only until the 2018 annual general meeting of the Company and shall be eligible for re-election at the meeting.

BIOGRAPHICAL DETAILS OF DIRECTORS

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

Report of the Directors

OTHER INFORMATION

Change of Directors and composition of board committees and change of information of Directors

With effect from 11 April 2017, Mr. WONG Yan Wai George (“Mr. George WONG”) has been appointed as an independent non-executive director of the Company. Further details have been set out in an announcement of the Company dated 11 April 2017.

At the annual general meeting of the Company held on 26 May 2017 (“AGM”), Mr. CHAN Chak Paul (“Mr. Paul CHAN”) and Mr. CHAN Francis Ping Kuen (“Mr. Francis CHAN”), did not offer themselves for re-election due to their personal commitments on their other business and accordingly retired as an executive director and an independent non-executive director of the Company, respectively, upon the conclusion of the AGM. At the same time, Mr. Paul CHAN ceased to be the chairman of the Board and the chairman of nomination committee of the Company (the “Nomination Committee”) and one of the authorised representatives of the Company as required under Rule 3.05 of the Listing Rules (the “Authorised Representative”) and an authorised representative of the Company for accepting service of process and notices on the Company’s behalf in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Service Agent”). Mr. Francis CHAN ceased to be the chairman of the audit committee of the Company (the “Audit Committee”) and a member of each of the Nomination Committee and remuneration committee of the Company (the “Remuneration Committee”).

With effect from 26 May 2017, Mr. SUN Bo has been appointed as (i) the chairman of the Board; (ii) the chairman of the Nomination Committee; (iii) a member of the Remuneration Committee; (iv) the Authorised Representative; and (v) the Service Agent; Mr. MOK Ho Ming has been appointed as the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee; and Mr. George WONG has been appointed as a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee.

With effect from 31 May 2017, Mr. CHEN Ming has been appointed as an independent non-executive director of the Company and a member of Audit Committee. Further details have been set out in an announcement of the Company date 31 May 2017; Dato’ TAN Yee Boon has resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee; and Mr. George WONG has been appointed as the chairman of the Remuneration Committee.

With effect from 20 March 2018, Mr. SUN Bo has been re-designated as an executive Director. He ceased to act as any position with Shan Qiu Asset Management (Beijing) Co., Ltd. # (山丘資產管理(北京)有限公司) (formerly known as Beijing San Zhi Bao Ying Asset Management Co., Ltd. # (北京三智寶盈資產管理有限公司)) (the “Shan Qiu”) on 20 March 2018.

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.

Unofficial English translation

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.

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.

Report of the Directors

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 2017, 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 Securities and Futures Ordinance (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 2017
SUN Bo	Beneficial owner	Long position	22,275,000	16.00%
ZHANG Yufei	Beneficial owner	Long position	8,000,000	5.75%

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 year, 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 2017, 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 2017
Salus Investments Limited ¹	Beneficial owner	8,260,000	5.93%
ZHANG Xu Ming ¹	Interest of controlled corporation	8,260,000	5.93%

Note:

1. 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 12 May 2016, the Company entered into an investment management agreement (the “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.

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.

Details of the investment management fee paid to CES pursuant to the Investment 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 2017 (i) had not been approved by the Board of the Company; and (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\$720,000 as set out by the Company in the previous announcement dated 12 May 2016 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.

SUFFICIENCY OF 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 2017.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 26 to the financial statements.

AUDITOR

The financial statements have been audited by RSM Hong Kong who retire and, being eligible, offer themselves 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

Mr. SUN Bo
Chairman

Hong Kong, 23 March 2018

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 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.

THE BOARD

As at 31 December 2017, the Board comprises one Executive Director, one Non-executive Director and three 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 pages 8-9. 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

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. SUN Bo and Mr. ZHANG Yufei respectively.

Mr. SUN Bo, who was appointed as the Chairman of the Board on 26 May 2017, 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.

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. 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 Company's Bye-Laws, Mr. SUN Bo and Mr. WANG Daming will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Moreover, in accordance with the Bye-law 102(A) of the Company's Bye-laws, Mr. CHEN Ming who has been appointed as an Independent Non-executive Director of the Company on 31 May 2017 shall hold office only until the 2018 annual general meeting of the Company and shall be eligible for re-election at the meeting.

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. 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 2017:

- 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 2017 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 Company established the Remuneration Committee with written terms of reference in compliance with the CG Code. 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 any Committee member.

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 2017:

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

Corporate Governance Report

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with the CG Code. 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 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.

The following is a summary of the work of the Audit Committee during the year ended 31 December 2017:

- reviewed the audited financial statements of the Company for the year ended 31 December 2016 and the related results announcement;
- reviewed the interim accounts of the Company for the 6 months ended 30 June 2017 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 pages 38 to 41 of this annual report. For the year ended 31 December 2017, the remuneration payable to Messrs. RSM Hong Kong is HK\$195,000 for audit service, HK\$49,000 for review of interim report and continuing connected transactions and HK\$20,500 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.

Internal Audit report

The internal audit 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.

Corporate Governance Report

Process of the Risk Management

The risk assessment has been carried out 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 2017. 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.

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.

Corporate Governance Report

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 2017 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 2017 Annual General Meeting (the "AGM") of the Company to answer questions raised.

Due to other business engagements, Dato' TAN Yee Boon and Mr. CHAN Francis Ping Kuen, the Independent Non-executive Directors could not attend the 2017 AGM.

Explanation of detail procedures of voting by poll has been given at the commencement of the 2017 AGM. For each substantially separate issue at the 2017 AGM, a separate resolution was proposed by the chairman of the meeting. The poll results of the 2017 AGM had been published in accordance with the requirement of the Listing Rules.

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

ATTENDANCE OF DIRECTORS AT MEETINGS

Regular board meetings are scheduled to be held at approximately quarterly intervals. The attendance of the Directors at the general meetings of the Company, meetings of the Board, the Audit Committee, the Nomination Committee and the Remuneration Committee during the year ended 31 December 2017 are set out below:

	Notes	AGM	Meetings attended/Meetings eligible to attend (viii)			
			Board meetings	Audit Committee meetings	Nomination Committee meetings	Remuneration Committee meetings
<i>Executive Directors</i>						
Mr. CHAN Chak Paul	i	1/1	12/13	–	2/2	–
Mr. WANG Daming		1/1	33/37	–	–	–
<i>Non-executive Directors</i>						
Mr. SUN Bo	ii	1/1	28/37	–	1/1	2/2
<i>Independent Non-executive Directors</i>						
Mr. MOK Ho Ming	iii	1/1	18/37	4/4	0/1	3/4
Mr. WONG Yan Wai George	iv	1/1	12/27	3/3	1/1	2/2
Mr. CHEN Ming	v	N/A	12/24	3/3	–	–
Dato' TAN Yee Boon	vi	0/1	4/13	1/1	2/2	2/2
Mr. CHAN Francis Ping Kuen	vii	0/1	4/13	1/1	2/2	2/2

Notes:

- i. Mr. CHAN Chak Paul retired as an executive Director upon the conclusion of the AGM held on 26 May 2017 and ceased to be the chairman of the Board and the chairman of the Nomination Committee.
- ii. Mr. SUN Bo was appointed as a Non-executive Director on 14 March 2016 and further appointed as the chairman of the Board and the chairman of the Nomination Committee and the member of the Remuneration Committee on 26 May 2017 respectively. He was re-designated as an executive Director on 20 March 2018.
- iii. Mr MOK Ho Ming was appointed as the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee on 26 May 2017.
- iv. Mr. WONG Yan Wai George was appointed an independent non-executive Director on 11 April 2017 and further appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 26 May 2017, the chairman of the Remuneration Committee on 31 May 2017.
- v. Mr. CHEN Ming was appointed as an independent non-executive Director and a member of the Audit Committee on 31 May 2017.
- vi. Dato' TAN Yee Boon resigned as an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee on 31 May 2017.
- vii. Mr. CHAN Francis Ping Kuen retired as an independent non-executive Director upon the conclusion of the AGM held on 26 May 2017 and ceased to be the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee.
- viii. Attendances of the Directors appointed/retired during the year were made by reference to the number of such meetings held during their respective tenures.

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

SUN Bo
Chairman

Hong Kong, 23 March 2018

Environmental, Social and Governance Report

Earnest Investment Holdings Limited (hereafter the “Company”, “We” and “Earnest”) is pleased to publish our second Environmental, Social and Governance (“ESG”) report which covers the financial year from 1 January 2017 to 31 December 2017 (“the reporting period”). The ESG report is prepared in accordance with Appendix 27 of the Rules Governing the Listing of Securities, Hong Kong Exchanges and Clearing Limited (“HKEx”), and has been reviewed and approved by the board of directors.

This report covers activities related to the Hong Kong office of the company. It describes our ESG policies, management strategies and performances during the reporting year. This is also our first year to disclose the environmental key performance indicators (“KPIs”), making another significant step towards our obligations with respect to sustainability and social responsibilities.

We value your feedback on this report for our continuous improvement. Please contact us via email at enquiry@earnest-inv.com.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

As the Company is principally engaged in investment and trading of listed and unlisted equity securities, there is only limited direct impact on the environment. However, we understand our stakeholders are concerned about how we invest our capital and manage our financial resources responsibly.

The Company actively works with key stakeholders, including investors, shareholders, our employees, industry regulators and other governmental and community groups. In return, we endeavour to create positive values to the shareholders, employees and the society, and dedicate to fulfil the Company’s corporate social responsibility. We communicate with our key stakeholders in our daily interaction and during the annual general meeting of the Company.

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. Therefore, we are in the process of formulating suitable strategies and methods to better collect comments and opinions from our key stakeholders on ESG matters related to the Company, such that we can better address their concerns in our Company’s ESG strategies in the upcoming future.

ENVIRONMENT

With an increasing number of extreme weather events, which have made great impact on our lives in many ways such as sufficient supply of food and resources in the globe, climate change is now commonly recognized as one of the biggest challenges of the world. How we can utilize the resources responsibly is the question we have to answer. Notwithstanding 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 seeks to limit our impact on the environment associated with our business development and contributes to a low-carbon economy, via taking various environmental measures we possibly can.

As an important step towards our long term efforts in helping combat climate change, and as a responsible corporate to support sustainable development, we have commenced the tracking on our greenhouse gas (“GHG”) emissions, energy consumption, and water consumption within our activities. The results are disclosed as follows.

Environmental, Social and Governance Report

Greenhouse Gas Emissions

Reducing our carbon footprint is always what we are constantly working to achieve. To understand the overall carbon footprint and continuously look for areas for improvements, we have started to measure the key GHG emissions within our operations. Since our operations do not result in any direct GHG emissions, our GHG inventory mainly covers energy indirect emissions, including those from electricity consumption at our office due to the use of lighting system, air-conditioning and office equipment. Other indirect emissions include air travel by the executives occasionally and energy utilized due to processing freshwater and wastewater by the HKSAR Government.

During the reporting period, the total GHG emissions that we have tracked from our operations were found to be 24.72 tonnes CO₂e, with the intensity of 2.472 tonnes CO₂e per staff.

CO ₂ e (tonnes)	FY 2017
Direct emissions (Scope 1)	–
Energy indirect emissions (Scope 2)	
Purchased electricity	8.00
Other indirect emissions (Scope 3)	16.72
Air Travel	16.69
Freshwater	0.018
Wastewater	0.0087
Total GHG emissions (Scope 1, 2, 3)	24.72
Total GHG emissions (Scope 1, 2, 3) intensity (per staff)	2.472

Energy Consumption

Energy, in particular electricity, has been used to support our daily business routine in office due to the use of lighting system, air-conditioning and office equipment. To save energy consumption and to promote smarter energy usage, we have implemented measures such as opting for lighting system with high efficiency, as well as running air conditioning at an optimum temperature, thereby striking the balance between electricity use and employee comfort. We are also working hard to raise employees' awareness through regular reminders to switch off the idling appliances such as computers and other electronic equipment.

kWh	FY 2017
Energy consumed	10,126
Energy Intensity (per staff)	1,012.6

Environmental, Social and Governance Report

Water Consumption

Although the Company's water consumption is very minimal, we have tracked and continued to encourage our employees to improve the use of water and conserve our valuable water resources.

m ³	FY 2017
Total water consumption	46
Water intensity (per staff)	4.6

Looking forward, we will continue to track our environmental performance indicators and strive to achieve better performance on energy use.

PEOPLE IN EARNEST

The Company considers our employees as one of the most valuable assets of the Company to support and sustain our business development. Hence, in order to maintain a long-term relationship with our people, we strive to create a harmonious and motivating workplace to our employees.

Employment and Labour Practices

The Company established a set of human resources policy that applies to all employees of the Company in Hong Kong. It is being used as a generic guideline for issuing standard operating instructions for all employees to follow.

We offer competitive remuneration packages for all employees and make sure our practice is fully comply with the Hong Kong Labour Ordinance and relevant regulations in the areas such as salary, working hours, holidays, compensation and work separation. To offer supports for our employees to shoulder their family obligations, our employees are entitled to marital leave, maternity leave and paternity leave etc., in additional to annual leaves. Other benefits such as allowances, discretionary bonus and defined contribution retirement scheme are also granted to our employees. We review the remuneration packages of the employees annually to ensure that the packages are competitive in the market and aligned with the results of the corporation and individual performances.

We are committed to equal opportunity and diversity and we also promote a work environment that is free from discrimination and harassment; hence, we do not tolerate any form of discrimination and harassment actions in our workplace. The Company ensures that all staff recruitment, employment and promotion are based on the job requirement, qualification & performance of the candidates, and are regardless of age, gender, religion, nationality, or marital status that are unrelated to job duties.

Environmental, Social and Governance Report

To make a better workplace together with our employees, the Company values the voice of our employees and encourage them to provide suggestions and comments via various communication channels such as email, letters and meeting with our top management. All the feedback collected from the employees are kept confidential and conscientiously taken into account by our management.

During the reporting period, there were no non-compliance cases identified relevant to laws and regulations on recruitment, employment, benefits and welfare, and anti-discrimination.

Health and Safety

Providing a safe working environment to all employees is our first responsibility. Primarily in an office-based environment, our daily operations do not pose significant health and safety concerns. In order to prevent any injuries and accidents occurred under the adverse weather, we outlined the adverse weather working arrangement in the employment contract, as well as in the staff handbook for all employees to follow.

Furthermore, to sufficiently protect our staff from illness and accidents, all our permanent employees are under the coverage of the employees' compensation insurance and the Company's medical plan. To promote work-life balance, to enhance better working relationships and to appreciate our employees' hard work, we regularly organize social activities such as lunch and dinner gatherings for staff members. During the reporting period, there were no non-compliance cases identified relevant to laws and regulations on occupational health and safety.

Development and Training

We understand that in the fast-changing investment environment, full efforts should always be given to keep abreast with the latest ordinances, rules and guidelines (e.g. the main board listing rules) that the Company is subject to. The Company has kept itself aware of the continuous development and updates of relevant laws and regulations.

To achieve that, we gather all the relevant regulatory changes and determines the continuous professional training needs for directors and employees, so as to keep their knowledge and skills updated and maintain their professional competence. According to our "Internal Management and Control Manual", the Company is committed to providing support for the Company's directors and employees in continuous professional training, and encouraging them to attend training programmes organized by various professional bodies. The Company ensures that staff members fulfil the necessary training and development requirement and will maintain attendance records of these training.

Environmental, Social and Governance Report

RESPONSIBLE INVESTMENT

Investment Practices

The Company is committed to being a responsible investor, and practises according to a set of principles including consideration of ESG issues as contained in the internal management and control manual when making investment decisions. Potential investment opportunities will be carefully reviewed internally in line with the requirements before final decisions are made.

The Company invests in companies with effective management and good practice in dealing with the environmental, social and governance issues. This is because we strongly believe that effective ESG management is an essential part of achieving good financial performance and long-term growth in the companies. This will also lead to greater returns in the long term. In practice, companies who treat their workers and the environment with respect generally have fewer burdens on regulatory issues, fines and lawsuits, and thus have higher investment values.

Prior to making investment decisions, we read prospectuses and annual reports of companies of investment potential, and are concerned about their transparency and accountability. The Company cares about who these companies are and/or who sit on their board. The Company finds out how the companies are behaving with respect to environmental, social, and workers' rights.

Besides, the Company seeks to work with companies that have the following ESG attributes:

- Environmentally conscious; make efforts to reduce energy use, waste and pollution;
- Give the best efforts to conserve resources such as use of recycled materials and minimize their paper communication; and
- Extract natural resources in a responsible manner.

Likewise, the Company looks for social responsible companies with the following attributes:

- Those work with high-quality suppliers that held high ethics standards;
- Interact with the government and regulators with integrity;
- Make good decisions about the way how to operate to maximize positive effects;
- Minimize negative effects on the community; and
- Make charitable contributions and provide supports to the community.

Environmental, Social and Governance Report

Ethical business

To ensure all employees understand and follow the regulatory requirements and listing rules when dealing with investment and trading of listed and unlisted companies, we have implemented a “Code of Conduct” for all employees to strictly abide by. To uphold the highest business ethics and standards when operating our business, all employees are required to keep all the corporate & investee information (e.g. price sensitive information, trade secrets, investment plans and budgets etc.) confidential, and are prohibited to disclose any information to third parties without first seeking permission from the company; or use for their own benefits.

The inside information is properly handled and disseminated under our “Handling Inside Information Policy” which prevents uneven, false and unpublished information disclosure. Where necessary, a written agreement will be signed with external parties to ensure no divulgence of the information to unauthorized persons. All employees are required to report and declare that no conflict of interest exists between the potential investee companies to uphold the independence from any potential conflicts, according to our “Conflict of Interests Policy”.

Anti-corruption

The Company promotes integrity and prevents unethical pursuits. We prohibit any forms of fraud and corruption practice in our business operations and all employees must strictly follow our “Code of Conduct” to perform the business. In essence, all employees are not allowed to accept any benefits, rewards and advantages directly or indirectly from third parties and organizations which have official dealings without prior consent from the Group. Employees who violate the code are subject to disciplinary actions including dismissal. Meanwhile, an effective whistle-blowing policy with clear reporting channels is in place to encourage all staff to report any suspected or actual corruption activities and malpractices in the workplace in good faith. The identity of the whistle-blowers together with the reporting information is kept in high confidentiality and the investigation and verification on the reported matters will be undertaken by our Audit Committee with remedial actions, and report to the regulators and/or to the law enforcement authorities when necessary.

During the reporting period, there were no cases identified regarding the violation of relevant laws and regulations on anti-corruption.

Supply Chain Management

We are committed to selecting the vendors and service providers who operate in an ethical, honest and social responsible manner as our business partners to support our business operations. We review the qualifications of suppliers by considering their corporate reputation and branding, and track the record of the suppliers’ corporate management, expertise and business capacity in order to select the qualified suppliers. Proper prior approval from the management is required before a supplier can be selected as qualified supplier.

Environmental, Social and Governance Report

THE COMMUNITY

As a social responsible investment company, we believe that it is our part to give back to our society which the Company belongs to. We are committed to exerting our core business competence and available resources to support our community, and encourage our employees to participate in various charitable activities and voluntary work. The Company is caring about those who are under-privileged in the community, and the Company is developing strategies and methods to offer support to them, such as making financial donations. Looking ahead, the Company will continue to fulfil its corporate social responsibilities and will strive to exert its influence as a role model in the society.

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 42 to 74, which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and 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 2017, 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 included in Earnest Investments Holdings Limited's 2017 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 AND THOSE CHARGED WITH GOVERNANCE 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.

Those charged with governance assist 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 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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

23 March 2018

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 HK\$	2016 HK\$
Revenue	8	112,013	125,905
Net change in fair value of financial assets	9	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	10	–	–
Loss for the year attributable to owners of the Company	11	(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	16	(0.056)	(0.113)

Statement of Financial Position

At 31 December 2017

	Note	2017 HK\$	2016 HK\$
Non-current assets			
Property, plant and equipment	17	331,215	393,749
Current assets			
Financial assets at fair value through profit or loss	18	5,573,317	19,121,555
Prepayments, deposits and other receivables		450,332	397,840
Bank and cash balances		36,226,467	14,171,225
		42,250,116	33,690,620
Current liabilities			
Accruals and other payables		308,500	836,600
Net current assets		41,941,616	32,854,020
Total assets less current liabilities		42,272,831	33,247,769
NET ASSETS		42,272,831	33,247,769
Capital and reserves attributable to owners of the Company			
Share capital	19	2,784,000	2,320,000
Reserves	21	39,488,831	30,927,769
TOTAL EQUITY		42,272,831	33,247,769
Net asset value per share	24	0.30	0.29

Approved by the Board of Director on 23 March 2018 and are signed on its behalf by:

SUN Bo
Executive Director

WANG Daming
Executive Director

Statement of Changes in Equity

For the year ended 31 December 2017

	Share capital HK\$ (note 19)	Share premium account HK\$ (note 21)	Contributed surplus account HK\$ (note 21)	Accumulated losses HK\$	Total Equity HK\$
At 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 and 1 January 2017	2,320,000	35,186,461	28,040,011	(32,298,703)	33,247,769
Issue of shares	464,000	15,153,025	–	–	15,617,025
Total comprehensive income for the year	–	–	–	(6,591,963)	(6,591,963)
Changes in equity for the year	464,000	15,153,025	–	(6,591,963)	9,025,062
At 31 December 2017	2,784,000	50,339,486	28,040,011	(38,890,666)	42,272,831

Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK\$	2016 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(6,591,963)	(13,044,689)
Adjustments for:		
Depreciation	108,334	78,881
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
Operating loss before working capital changes	(9,531,261)	(7,863,295)
Increase in prepayments, deposits and other receivables	(52,492)	(256,284)
(Decrease)/increase in accruals and other payables	(528,100)	589,938
Proceeds from disposals of financial assets at fair value through profit or loss	23,290,540	1,699,242
Purchase of financial assets at fair value through profit or loss	(6,694,670)	(942,000)
Net cash generated from/(used in) operating activities	6,484,017	(6,772,399)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment and net cash used in investing activities	(45,800)	(472,630)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and net cash generated from financing activities	15,617,025	12,966,461
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,055,242	5,721,432
CASH AND CASH EQUIVALENTS AT 1 JANUARY	14,171,225	8,449,793
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		
Representing bank and cash balances	36,226,467	14,171,225

Notes to the Financial Statements

For the year ended 31 December 2017

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 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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.

As disclosed in note 23, 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.

Notes to the Financial Statements

For the year ended 31 December 2017

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 Company's 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 2017

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 2017

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 an 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 deposits 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 2017

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; and
- (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 2017

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 a 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 2017

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 2017

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 financial assets of the Company, 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 2017

5. KEY ESTIMATES

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 Company's 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 2017 was HK\$331,215 (2016: HK\$393,749).

6. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: foreign currency risk, 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) Foreign currency risk

The Company has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities 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 its foreign currency exposure closely.

Notes to the Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) 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 (2016: 10% higher/lower), loss after tax for the year ended 31 December 2017 would decrease/increase by HK\$557,332 (2016: decrease/increase by HK\$1,912,156). 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 net unrealised losses from change in fair value of financial assets at fair value through profit or loss held as at 31 December 2017 amounted to HK\$126,856.

(c) Credit risk

The Company has no significant concentrations of credit risk.

The credit risk on bank and cash balances is limited because most of 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.

(d) 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.

(e) 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 effect from changes in interest rates is considered not significant to the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

6. FINANCIAL RISK MANAGEMENT (Continued)

(f) Categories of financial instruments at 31 December

	2017 HK\$	2016 HK\$
Financial assets:		
Financial assets at fair value through profit or loss:		
Held for trading	5,573,317	19,121,555
Loans and receivables (including cash and cash equivalents)	36,232,367	14,248,302
Financial liabilities:		
Financial liabilities at amortised cost	308,500	836,600

(g) 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.

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.

Notes to the Financial Statements

For the year ended 31 December 2017

8. REVENUE

	2017 HK\$	2016 HK\$
Dividend income from listed investments	109,968	123,289
Bank and other interest income	2,045	2,616
Revenue	112,013	125,905
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.

9. NET CHANGE IN FAIR VALUE OF FINANCIAL ASSETS

	2017 HK\$	2016 HK\$
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)
	3,047,632	(5,102,513)

10. 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 2016, no provision for Hong Kong Profits Tax was required since the Company had no assessable profit for that year.

Notes to the Financial Statements

For the year ended 31 December 2017

10. INCOME TAX (Continued)

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 HK\$	2016 HK\$
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)	–
Income tax	–	–

At 31 December 2017, the Company has following unused tax losses and taxable temporary differences:

	2017 HK\$	2016 HK\$
Tax losses	51,588,409	52,284,052
Unrealised gains from financial assets at fair value through profit or loss	(41,689)	(7,283,552)
Accelerated depreciation allowance	(218,820)	(271,575)
	51,327,900	44,728,925

The resulting potential deferred tax assets amounting to HK\$8,469,103 (2016: HK\$7,380,273) have not been recognised in respect of the above items due to the unpredictability of future profit streams. The tax losses are subject to the review of Hong Kong Inland Revenue Department and may be carried forward indefinitely.

Notes to the Financial Statements

For the year ended 31 December 2017

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:

	2017 HK\$	2016 HK\$
Auditor's remuneration	195,000	186,000
Depreciation	108,334	78,881
Investment management fee (Note 12)	720,000	703,871
Operating lease charges – land and buildings	2,948,450	2,143,667

12. 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.

13. EMPLOYEE BENEFITS EXPENSE

	2017 HK\$	2016 HK\$
Employee benefits expense including directors' emoluments:		
Basic salaries and allowances	3,523,126	2,441,994
Discretionary bonus	133,822	69,852
Retirement benefit scheme contributions	66,280	40,989
	3,723,228	2,552,835

Notes to the Financial Statements

For the year ended 31 December 2017

13. EMPLOYEE BENEFITS EXPENSE (Continued)

Five highest paid individuals

During the reporting period, except chief executive officer's emoluments, none (2016: none) 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 five (2016: five) individuals including chief executive officer are set out below:

	2017 HK\$	2016 HK\$
Basic salaries and allowances	2,928,000	1,597,300
Discretionary bonus	129,000	37,831
Retirement benefit scheme contributions	58,250	21,971
	3,115,250	1,657,102

The emoluments fell within the following band:

	Number of individuals	
	2017	2016
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–
	5	5

Notes to the Financial Statements

For the year ended 31 December 2017

14. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

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

The remuneration of each director and chief executive officer, on a name basis, for the years ended 31 December 2017 and 2016 are set out below:

	Fees HK\$	Salaries HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
Executive Directors				
Mr. WANG Daming	60,000	–	–	60,000
Mr. CHAN Chak Paul (iv)	96,774	–	4,839	101,613
Independent Non-executive Directors				
Mr. MOK Ho Ming (i)	173,500	–	–	173,500
Mr. WONG Yan Wai, George (ii)	86,667	–	–	86,667
Mr. CHEN Ming (iii)	70,000	–	–	70,000
Mr. CHAN Francis Ping Kuen (iv)	24,194	–	–	24,194
Dato' TAN Yee Boon (v)	25,000	–	–	25,000
Chief Executive Officer				
Mr. ZHANG Yufei	–	1,380,000	–	1,380,000
Total for 2017	536,135	1,380,000	4,839	1,920,974

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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

Notes:

- (i) Appointed on 22 November 2016
- (ii) Appointed on 11 April 2017
- (iii) Appointed on 31 May 2017
- (iv) Retired on 26 May 2017
- (v) Resigned on 31 May 2017
- (vi) Resigned on 16 June 2016
- (vii) Resigned on 22 November 2016

Notes to the Financial Statements

For the year ended 31 December 2017

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

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

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.

Apart from above, neither the chief executive officer nor any of the directors waived or agreed to waive any emoluments during the year.

(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.

15. DIVIDENDS

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

Notes to the Financial Statements

For the year ended 31 December 2017

17. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK\$	Furniture & fixtures HK\$	Computer equipment HK\$	Total HK\$
Costs				
At 31 December 2015 and 1 January 2016	–	–	–	–
Additions	68,627	334,476	69,527	472,630
At 31 December 2016	68,627	334,476	69,527	472,630
Additions	45,800	–	–	45,800
At 31 December 2017	114,427	334,476	69,527	518,430
Accumulated depreciation				
At 31 December 2015 and 1 January 2016	–	–	–	–
Charged for the year	(12,410)	(55,746)	(10,725)	(78,881)
At 31 December 2016	(12,410)	(55,746)	(10,725)	(78,881)
Charged for the year	(24,057)	(66,895)	(17,382)	(108,334)
At 31 December 2017	(36,467)	(122,641)	(28,107)	(187,215)
Net book value				
At 31 December 2017	77,960	211,835	41,420	331,215
At 31 December 2016	56,217	278,730	58,802	393,749

Notes to the Financial Statements

For the year ended 31 December 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK\$	2016 HK\$
Equity securities, at fair value		
Listed in Hong Kong	4,572,630	19,121,555
Listed outside Hong Kong	1,000,687	–
	5,573,317	19,121,555

The carrying amounts of the above financial assets are classified as 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 are as follows:

At 31 December 2017

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\$
Listed in Hong Kong:									
New China Life Insurance Company Ltd. ("New China Life")	People's Republic of China ("PRC")	7,700	Less than 1%	399,245	411,180	11,935	–	N/A	188,549
China Taiping Insurance Holdings Company Limited ("China Taiping")	Hong Kong	14,000	Less than 1%	400,400	410,200	9,800	–	N/A	258,809
Ping An Insurance (Group) Company of China, Ltd. ("Ping An")	PRC	5,000	Less than 1%	400,250	406,750	6,500	–	N/A	155,222
The Wharf (Holdings) Limited ("Wharf")	Hong Kong	15,000	Less than 1%	380,250	405,000	24,750	–	N/A	701,308

Notes to the Financial Statements

For the year ended 31 December 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At 31 December 2017 (Continued)

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\$
China Pacific Insurance (Group) Co., Ltd. ("China Pacific")	PRC	10,600	Less than 1%	394,320	398,030	3,710	–	N/A	177,325
Sun Hung Kai Properties Limited ("Sun Hung Kai")	Hong Kong	3,000	Less than 1%	381,000	391,200	10,200	–	N/A	545,315
CK Asset Holdings Limited ("CK Asset")	Cayman Islands	5,500	Less than 1%	365,750	375,650	9,900	–	N/A	433,681
China Resources Land Limited ("China Resources Land")	Cayman Islands	16,000	Less than 1%	363,200	368,000	4,800	–	N/A	330,315
CK Hutchison Holdings Limited	Cayman Islands	1,500	Less than 1%	152,700	147,150	(5,550)	1,170	5.29	178,684
HSBC Holdings Plc.	England	2,400	Less than 1%	178,200	191,880	13,680	1,872	4.99	175,578
China Overseas Land & Investment Ltd.	Hong Kong	14,000	Less than 1%	350,000	352,100	2,100	–	N/A	311,074
Tianjin Development Holdings Ltd.	Hong Kong	44,000	Less than 1%	180,558	163,240	(17,318)	1,795	6.49	427,348
Sunac China Holdings Ltd.	Cayman Islands	11,000	Less than 1%	386,650	355,850	(30,800)	–	N/A	67,435
China Life Insurance Co. Ltd.	PRC	8,000	Less than 1%	194,000	196,400	2,400	–	N/A	108,904
Listed outside Hong Kong:									
Enterprise Products Partners L.P. ("EPD")	United States	2,000	Less than 1%	413,959	412,814	(1,145)	–	N/A	163,686
Energy Transfer Partners, L.P. ("ETP")	United States	2,850	Less than 1%	400,624	397,646	(2,978)	–	N/A	544,830
Cityneon Holdings Limited	Singapore	34,800	Less than 1%	190,522	190,227	(295)	–	N/A	68,958
				5,531,628	5,573,317	41,689			

Notes to the Financial Statements

For the year ended 31 December 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

At 31 December 2016

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\$
Listed in Hong Kong:									
China Dynamics (Holdings) Limited	Bermuda	48,095,000	1.08%	8,295,668	13,226,125	4,930,457	–	N/A	34,072,201
Hong Kong Exchanges and Clearing Limited	Hong Kong	20,000	Less than 1%	4,188,771	3,664,000	(524,771)	101,600	1.8	527,083
Tencent Holdings Limited	Cayman Islands	6,900	Less than 1%	1,039,315	1,308,930	269,615	3,243	8.0	141,289
CSOP FTSE CHINA A50 ETF	Hong Kong	50,000	Less than 1%	555,000	546,000	(9,000)	14,978	3.7	729,379
ChinaAMC CSI 300 Index ETF	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			

A brief description of the business and financial information of the listed investee companies that accounted for the Company's ten largest investments, based on their published annual and interim reports, is as follows:

- (a) New China Life, a China-based provider of life insurance services and products, is principally engaged in (i) life insurance in RMB and foreign currencies (including various life insurance, health insurance, and accident and casualty insurance); (ii) acting as an agent for domestic and foreign insurance institutions for insurance, verification and claim settlement; (iii) insurance consulting; (iv) engaging in capital operations in accordance with relevant regulations. The audited consolidated profit attributable to owners of New China Life for the year ended 31 December 2017 was approximately HK\$6,215,750,000 (2016: HK\$5,765,831,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of New China Life was approximately HK\$76,387,914,000 (2016: HK\$65,697,833,000).

Notes to the Financial Statements

For the year ended 31 December 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (b) China Taiping is principally engaged in insurance businesses which provides the underwriting of direct life insurance in the PRC and Hong Kong; direct property and casualty insurance in the PRC, Hong Kong and overseas; pension and group life insurance; and all classes of global reinsurance services. The audited consolidated profit attributable to owners of China Taiping for the year ended 31 December 2017 was approximately HK\$6,136,187,000 (2016 (restated): HK\$4,831,649,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of China Taiping was approximately HK\$66,440,426,000 (2016 (restated): HK\$57,824,421,000).
- (c) Ping An is principally engaged in provision of a wide range of financial products and services with a focus on the businesses of insurance, banking, asset management and internet finance. The audited consolidated profit attributable to owners of Ping An for the year ended 31 December 2017 was approximately HK\$102,869,914,000 (2016: HK\$72,795,080,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of Ping An was approximately HK\$567,500,514,000 (2016: HK\$426,126,874,000).
- (d) Wharf is principally engaged in property-related businesses and operates through five segments. The segments are investment property, development property, hotels, logistics and communications, media and entertainment. The audited consolidated profit attributable to owners of Wharf for the year ended 31 December 2017 was approximately HK\$21,876,000,000 (2016: HK\$21,440,000,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of Wharf was approximately HK\$141,974,000,000 (2016: HK\$316,794,000,000).
- (e) The principal activities of China Pacific are property and casualty insurance businesses, life insurance businesses, pension and annuity businesses, as well as asset management, etc. The audited consolidated profit attributable to owners of China Pacific for the year ended 31 December 2016 was approximately HK\$14,066,902,000 (2015: HK\$21,807,213,000). As at 31 December 2016, the audited consolidated net asset value attributable to owners of China Pacific was approximately HK\$146,429,333,000 (2015: HK\$156,816,470,000). The unaudited consolidated profit attributable to owners of China Pacific for the six months ended 30 June 2017 was approximately HK\$7,377,301,000. As at 30 June 2017, the unaudited consolidated net asset value attributable to owners of China Pacific was approximately HK\$151,596,188,000.

Notes to the Financial Statements

For the year ended 31 December 2017

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

- (f) The principal activities of Sun Hung Kai are the development of and investment in properties for sale and rent, hotel operation, telecommunications, transport infrastructure and logistics. The audited consolidated profit attributable to owners of Sun Hung Kai for the year ended 30 June 2017 was approximately HK\$41,782,000,000 (2016: HK\$32,666,000,000). As at 30 June 2017, the audited consolidated net asset value attributable to owners of Sun Hung Kai was approximately HK\$498,215,000,000 (2016: HK\$468,707,000,000). The unaudited consolidated profit attributable to owners of Sun Hung Kai for the six months ended 31 December 2017 was approximately HK\$33,031,000,000. As at 31 December 2017, the unaudited consolidated net asset value attributable to owners of Sun Hung Kai was approximately HK\$526,547,000,000.
- (g) CK Asset is principally engaged in the property development and investment business, hotel and serviced suite operation business, as well as the property and project management business. The audited consolidated profit attributable to owners of CK Asset for the year ended 31 December 2017 was approximately HK\$30,125,000,000 (2016: HK\$19,415,000,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of CK Asset was approximately HK\$291,552,000,000 (2016: HK\$270,199,000,000).
- (h) China Resources Land is principally engaged in development properties for sale, property investments and management, hotel operations and the provision of construction, decoration services and other property development related services in the PRC. The audited consolidated profit attributable to owners of China Resources Land for the year ended 31 December 2017 was approximately HK\$23,016,685,000 (2016: HK\$19,500,880,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of China Resources Land was approximately HK\$143,087,283,000 (2016: HK\$116,437,504,000).
- (i) EPD is a leading North American provider of midstream energy services to producers and consumers of natural gas, NGLs, crude oil, petrochemicals and refined products. The audited consolidated profit attributable to owners of EPD for the year ended 31 December 2017 was approximately HK\$21,814,945,000 (2016: HK\$19,506,682,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of EPD was approximately HK\$176,183,821,000 (2016: HK\$170,952,438,000).
- (j) ETP is principally engaged in the businesses of (i) natural gas operations; (ii) liquids operations; (iii) crude oil, NGLs and refined product transportation, terminalling services and acquisition and marketing activities in the United States. The audited consolidated profit attributable to owners of ETP for the year ended 31 December 2017 was approximately HK\$7,683,898,000 (2016 (restated): Loss of HK\$7,909,478,000). As at 31 December 2017, the audited consolidated net asset value attributable to owners of ETP was approximately HK\$220,893,966,000 (2016 (restated): HK\$144,387,234,000).

Notes to the Financial Statements

For the year ended 31 December 2017

19. SHARE CAPITAL

	Number of shares	Amount HK\$
Authorised:		
Ordinary shares of HK\$0.02 each		
At 1 January 2016, 31 December 2016 and 31 December 2017	1,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.02 each		
At 1 January 2016	97,000,000	1,940,000
Issued of shares (Note b)	19,000,000	380,000
At 31 December 2016 and 1 January 2017	116,000,000	2,320,000
Issued of shares (Note a)	23,200,000	464,000
At 31 December 2017	139,200,000	2,784,000

Notes:

- (a) On 1 December 2017, the Company and South China Securities Limited entered into a placing agreement in respect of the placement of 23,200,000 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.68 per share (the Placing Shares). The placement was completed on 20 December 2017 and the Placing Shares were allotted and issued to not fewer than six placees, who are professional investors as defined under the Securities and Futures Ordinance (the “SFO”), at the placing price of HK\$0.68 per Placing Share. The premium on the issue of shares amounting to HK\$15,153,025 (net of share issue expenses of HK\$158,975) was credited to the Company’s share premium account.
- (b) On 11 January 2016, the Company completed the placement of 19,000,000 ordinary shares of HK\$0.02 each to not fewer than six placees, who are professional investors as defined under the SFO, at the placing price of HK\$0.7 per 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 during the year ended 31 December 2016.

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 2017 and 2016.

Notes to the Financial Statements

For the year ended 31 December 2017

19. SHARE CAPITAL (Continued)

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.

20. SHARE OPTIONS

During the years ended 31 December 2017 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 were no outstanding share options as at 31 December 2017 and 2016.

21. RESERVES

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2017 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.

22. CONTINGENT LIABILITIES

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

Notes to the Financial Statements

For the year ended 31 December 2017

23. LEASE COMMITMENTS

At 31 December 2017, the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2017 HK\$	2016 HK\$
Within one year	2,725,100	2,856,000
In the second to fifth years inclusive	–	2,725,100
	2,725,100	5,581,100

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

24. 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.

25. RELATED PARTY TRANSACTIONS

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. 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.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 23 March 2018.