



# Contents

	Pages
Corporate Information	2
Chairman's Statement	3-4
Biographical Details of Directors	5
Report of the Directors	6-13
Corporate Governance Report	14-22
Independent Auditor's Report	23-24
Statement of Profit or Loss and Other Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to the Financial Statements	29-48

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. CHAN Chak Paul (*Chairman*)  
Mr. NGAI Wah Sang (*Deputy Chairman*  
& *Chief Executive Officer*)  
Mr. WANG Daming

### Non-executive Director

Mr. SUN Bo

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen  
Mr. TAN Yee Boon  
Mr. WANG Jia Hua

## COMPANY SECRETARY

Ms. CHUI Yee Man

## AUDITOR

Messrs. RSM Hong Kong  
*Certified Public Accountants*

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

## PRINCIPAL PLACE OF BUSINESS

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

## PRINCIPAL BANKER

Hang Seng Bank

## STOCK CODE

339

## INVESTMENT MANAGER

Success Talent Investments Limited

## DIRECTORS OF THE INVESTMENT MANAGER

Ms. Zheng Wanqiu  
Mr. CHOI Wai Yin

## AUDIT COMMITTEE

Mr. CHAN Francis Ping Kuen (*Chairman*)  
Mr. TAN Yee Boon  
Mr. WANG Jia Hua

## REMUNERATION COMMITTEE

Mr. TAN Yee Boon (*Chairman*)  
Mr. CHAN Francis Ping Kuen  
Mr. WANG Jia Hua

## NOMINATION COMMITTEE

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

## PRINCIPAL REGISTRAR

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

## BRANCH REGISTRAR

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

# 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 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results and Appropriations

For the year ended 31 December 2015, the Company recorded a turnover of approximately HK\$39.5 million (2014: HK\$26.8 million), loss attributable to owners of approximately HK\$19.7 million (2014: profit of HK\$0.6 million) and loss per share of HK\$0.203 (2014: profit per share of HK\$0.008). The increase in turnover was mainly due to the increase in trading of listed securities. As compared to the last year, despite there was a net realized gain on disposal of listed securities amounting to approximately HK\$2,448,000 (2014: HK\$874,000), the Company's result was mainly attributable to the unrealized holding loss on the trading securities in Hong Kong.

### Business Review

The year under review continued to be a difficult year for Hong Kong securities market which was adversely affected by the negative investment sentiment across the world including especially the People's Republic of China. As compared to the last year, the carrying value of the Company's share portfolio dropped by 31% to HK\$25 million as at 31 December 2015. Under current global economic uncertainties and volatility, the Company will continue to be cautious in making new investments and trading of listed securities and to maintain and grow its portfolio value in future. However, as the Company's operating results are mostly driven by the Company's investments in trading securities, its performance will continuously be affected by the prevailing global stock market.

The Company's portfolio of Hong Kong listed securities as at 31 December 2015 consisted of China Dynamic (Holdings) Limited, New Times Energy Corporation Limited, APAC Resources Limited, Hong Kong Exchanges and Clearing Limited, Tencent Holdings Limited, C.banner International Holdings Limited, Shufeng International Clean Energy Limited and China Innovationpay Group Limited.

As at 31 December 2015, approximately 74% (2014: 68%) of the Company's total investments were in a portfolio of Hong Kong listed securities, 1% (2014: 1%) in other assets and the remaining 25% (2014: 31%) in cash which was deposited with banks in Hong Kong.

### Liquidity, Financial Resources and Funding

As at 31 December 2015, the net asset value of the Company amounted to HK\$33,325,997 (2014: HK\$53,028,561) with net asset value per share of HK\$0.34 (2014: HK\$0.55). The Company has no significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total owners' funds, was 0.007 as at 31 December 2015 (2014: 0.004).

For the year under review, the Directors considered the opportunity for the Company to raise additional capital to enhance its capital base and broaden its shareholders' base by shares placement. Hence, the Company entered into a placing agreement (the "Placing Agreement") with RHB Securities Hong Kong Limited, pursuant to which RHB Securities Hong Kong Limited agreed to place a maximum of 19,000,000 shares of the Company (the "Placing Shares") on a best effort basis to not fewer than 6 placees, at a price of HK\$0.7 per Placing Share (the "Placing") under the general mandate granted to the Directors by the shareholders at the annual general meeting held on 22 May 2015. The net proceeds raised upon the completion of the Placing was intended to be used for working capital of the Company and future investments yet to be identified.

The Placing completed on 11 January 2016. Details of Placing Shares are set out in note 22 to the financial statements.

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at 31 December 2015. The Directors believe that the Company had minimal exposure to foreign exchange risk.

# Chairman's Statement

## **Environmental, Social and Corporate Responsibility**

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

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

## **Employees**

During the year, the Company has 7 staff including Directors and the total staff costs for the year amounted to HK\$580,700 (2014: HK\$459,000). The Company's remuneration policies are in line with the prevailing market practice.

## **Charges on the Company's Assets and Contingent Liabilities**

As at 31 December 2015, there were no charges in the Company's assets and the Company did not have any significant contingent liabilities.

## **Prospects**

The Company's management will adopt a conservative approach in managing the existing investments in accordance with the Company's investment objectives and policies.

Nevertheless, the Company will continue to identify and capture investment opportunities as and when they arise.

## **Appreciation**

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

**CHAN Chak Paul**

*Chairman*

Hong Kong, 21 March 2016

# Biographical Details of Directors

## Executive Directors

**Mr. CHAN Chak Paul**, aged 55, was appointed as an Executive Director on 19 November 2001 and as the Chairman of the Board on 30 December 2004. Mr. CHAN is responsible for general corporate management. He has extensive experience in trading industries and China investments.

**Mr. NGAI Wah Sang**, aged 57, was appointed as an Executive Director on 2 January 2003, as the Chief Executive Officer on 22 August 2005 and as Deputy Chairman of the Board on 13 September 2007. Mr. NGAI is a fellow member of both The Institute of Chartered Accountants in Australia and the Hong Kong Institute of Certified Public Accountants. Mr. NGAI has extensive experience in dealing with business development and investment in both Hong Kong and the People's Republic of China (the "PRC").

**Mr. WANG Daming**, aged 55, was appointed as an Executive Director on 17 May 2002. Mr. WANG holds a Bachelor's Degree in Economics from the PRC and has extensive experience in finance. He formerly worked for the Agricultural Bank of China and a number of China enterprises and Sino-Foreign Joint Venture companies of various industries including financial services and information technology. Mr. WANG was qualified as Assistant Economist of the PRC in 1987, and then as Economist and Senior Economist in 1990 and 1996 respectively.

## Non-executive Director

**Mr. SUN Bo**, aged 34, was appointed as a Non-executive Director on 14 March 2016. Mr. SUN has extensive experience in finance and real estate development and management in the PRC.

## Independent Non-executive Directors

**Mr. CHAN Francis Ping Kuen**, aged 57, was appointed as an Independent Non-executive Director on 7 February 2005. Mr. CHAN holds a Bachelor's Degree in Economics from Australia. He is an associate member of The Institute of Chartered Accountants in Australia and also an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. CHAN has over 20 years of experience in auditing, accounting and financial management.

**Mr. Tan Yee Boon**, aged 41, was appointed as an Independent Non-executive Director on 1 June 2009. Mr. TAN holds a Bachelor of Laws degree from the University of Glamorgan, United Kingdom. He holds a Certificate of Legal Practice in Malaysia and was admitted as an advocate and solicitor of the High Court of Malaya. Mr. TAN possesses extensive experience in the field of commercial and corporate practice.

**Mr. WANG Jia Hua**, aged 53, was appointed as an Independent Non-executive Director on 6 November 2009. Mr. WANG has extensive experience in the securities industry in the PRC. Mr. WANG was involved in the restructuring and merger and acquisition activities of several listed companies in the PRC and has extensive practical experience in the securities investment, assets management and risk control management of the securities market.

# 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 2015.

## 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.

## 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 2015 are set out in the statement of profit or loss and other comprehensive income on page 25.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2015 (2014: Nil).

## DISTRIBUTABLE RESERVES

At 31 December 2015, the reserves available for distribution to shareholders pursuant to the Bermuda Companies Act 1981 amounted to HK\$8,785,997 (2014: HK\$28,488,561).

# Report of the Directors

## FIVE YEAR FINANCIAL SUMMARY

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

### Results

	Year ended 31 December				
	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$	2011 HK\$
Turnover	<b>39,543,770</b>	26,820,062	12,919,627	8,078,159	5,197,228
(Loss)/profit before tax	<b>(19,702,564)</b>	645,136	(6,409,799)	(7,444,169)	(5,588,858)
Income tax credit	–	–	–	183,522	958,740
(Loss)/profit for the year attributable to owners of the Company	<b>(19,702,564)</b>	645,136	(6,409,799)	(7,260,647)	(4,630,118)

### Assets and liabilities

	As at 31 December				
	2015 HK\$	2014 HK\$	2013 HK\$	2012 HK\$	2011 HK\$
Total assets	<b>33,572,659</b>	53,244,098	35,475,604	41,848,024	49,264,893
Total liabilities	<b>(246,662)</b>	(215,537)	(252,179)	(214,800)	(371,022)
Total equity	<b>33,325,997</b>	53,028,561	35,223,425	41,633,224	48,893,871

## SHARE ISSUED DURING THE YEAR

No share has been issued during the year ended 31 December 2015.



# Report of the Directors

## SHARE OPTION SCHEME

The Company's share option scheme (the "2006 Share Option Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The 2006 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 2006 Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the 2006 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 2006 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 2006 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 2006 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 2006 Share Option Scheme and there was no outstanding option as at 31 December 2015.

The 2006 Share Option scheme will lapse on 25 May 2016. It is proposed that a new share option scheme (the "2016 Share Option Scheme") be adopted in a special general meeting to be held immediately after the 2016 annual general meeting (the "Special General Meeting"). The adoption of the 2016 Share Option Scheme is subject to (i) the approval of the Shareholders at the Special General Meeting; (ii) the granting by the Stock Exchange the necessary approvals for the listing of and dealing in the Shares to be issued and allotted pursuant to the exercise of the Option to be granted thereunder in accordance with the terms and conditions thereof; and (iii) termination of the 2006 Share Option Scheme. Operation of the 2016 Share Option Scheme will commence after all conditions precedent have been fulfilled.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

## PRE-EMPTIVE RIGHTS

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

# Report of the Directors

## DIRECTORS

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

### Executive Directors

Mr. CHAN Chak Paul (*Chairman*)

Mr. NGAI Wah Sang (*Deputy Chairman and Chief Executive Officer*)

Mr. WANG Daming

### Non-executive Director

Mr. SUN Bo – appointed on 14 March 2016

### Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen

Mr. TAN Yee Boon

Mr. WANG Jia Hua

In accordance with the Company's Bye-Laws, Mr. SUN Bo, Mr. TAN Yee Boon and Mr. WANG Jia Hua will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of Directors are set out on page 5.

### Other Information

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

Mr. WANG Jia Hua, a Non-executive Director of the Company, was appointed as an Executive Director and the Managing Director of Phoenitron Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of the Stock Exchange (Stock Code: 8066) since January 2016.

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

## EMOLUMENT POLICY

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

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

# Report of the Directors

## **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.

## **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 2015, none of the Directors of the Company or their associates had any interest and short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO"), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO) or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

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.

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.

# Report of the Directors

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

As at 31 December 2015, 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.

Name of shareholder	Number of shares held	Percentage of total shares in issue as at 31 December 2015
XIAO Libo	22,275,000	22.96%
YAU Mei Han	13,781,250	14.21%
Supreme Zone Investments Limited ( <i>note 1</i> )	11,812,500*	12.18%
XIA Jun ( <i>note 1</i> )	11,812,500#	12.18%

\* Beneficial owner

# Interest of controlled corporation

*Note:*

(1) The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Mr. XIA Jun. By virtue of the SFO, Mr. XIA Jun was deemed to be interested in the 11,812,500 shares.

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

The Company had entered into an investment management agreement with Success Talent Investments Limited (the “Success Talent”) on 30 July 2012 to renew the appointment of Success Talent as its investment manager pursuant to which Success Talent has agreed to provide investment management services to the Company for a period of three years from 26 July 2012 (the “2012 Investment Management Agreement”).

The 2012 Investment Management Agreement had expired on 25 July 2015. The Company had entered into a new investment management agreement with Success Talent on 3 June 2015 to renew the appointment of Success Talent as its investment manager pursuant to which Success Talent has agreed to provide investment management services to the Company for a period of two years from 26 July 2015 (the “2015 Investment Management Agreement”).

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 2012 Investment Management Agreement and 2015 Investment Management Agreement constitute continuing connected transactions for the Company.

Details of the investment management fee paid to Success Talent pursuant to the 2012 Investment Management Agreement and the 2015 Investment Management Agreement for the year is set out in note 9 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 2015 (i) had not been approved by the Board of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iii) had exceeded the aggregate annual cap of HK\$412,258 as set out by the Company in the previous announcements dated 30 July 2012 and 3 June 2015 in respect of the disclosed continuing connected transactions.

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

# Report of the Directors

## **PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that the Company has maintained a sufficient public float of at least 25% throughout the year ended 31 December 2015.

## **AUDITOR**

At the Company's last Annual General Meeting, RSM Nelson Wheeler was re-appointed as auditor of the Company. On 26 October 2015, our auditor changed the name under which it practices to "RSM Hong Kong" and accordingly has signed its report under its new name.

RSM Hong Kong retires, and, being eligible, offers itself for re-appointment. A resolution for the re-appointment of RSM Hong Kong will be put at the forthcoming Annual General Meeting.

On behalf of the Board

**CHAN Chak Paul**

*Chairman*

Hong Kong, 21 March 2016

# Corporate Governance Report

The Board of Directors (the “Board”) has always valued transparency and accountability as the keys for achieving a high standard of corporate governance, and is committed to comply with all the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2015.

## THE BOARD

The Board comprises three Executive Directors, 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” section on page 5. 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.

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

<b>Name of Directors</b>	<b>Number of attendance/ meetings held</b>
Executive Directors	
Mr. CHAN Chak Paul ( <i>Chairman</i> )	26/26
Mr. NGAI Wah Sang ( <i>Deputy Chairman and Chief Executive Officer</i> )	26/26
Mr. WANG Daming	12/26
Non-executive Director	
Mr. SUN Bo	N/A
Independent Non-executive Directors	
Mr. CHAN Francis Ping Kuen	11/26
Mr. TAN Yee Boon	11/26
Mr. WANG Jia Hua	11/26

# 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. The Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contributions to the Board remain informed and relevant. During the year, all Directors have attended a Directors' Training Workshop on "Environmental, Social and Governance Report" conducted by a lawyer. The record of attendance of the workshop was kept by the Company.

## ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

Mr. NGAI Wah Sang, the Chief Executive Officer and Deputy Chairman 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.

In accordance with Bye-law 102(A) of the Bye-Laws of the Company, Mr. SUN Bo who has been appointed a Non-executive Director of the Company on 14 March 2016 shall hold office only until the 2016 annual general meeting of the Company and shall then be eligible for re-election at the meeting. Moreover, Bye-law 99 provides that one-third of the Directors shall retire from office by rotation at every annual general meeting of the Company ("AGM"). Consequently, every Director (other than those appointed since the last annual general meeting) shall be subject to retirement by rotation at least once every three years.

## Nomination Committee

The composition of the Nomination Committee and the attendance of its members during the year ended 31 December 2015 are set out below:

Name of Directors	Number of attendance/ meeting held
Mr. CHAN Chak Paul ( <i>Chairman</i> )	4/4
Mr. TAN Yee Boon	3/4
Mr. CHAN Francis Ping Kuen	3/4



# Corporate Governance Report

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

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

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

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

The following is a summary of the work of the Nomination Committee during the year ended 31 December, 2015:

- 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 2015 AGM;
- reviewed the reappointment of directors during the year; and
- assessed the independence of the Independent Non-executive Directors.

# Corporate Governance Report

## Remuneration Committee

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

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

The composition of the Remuneration Committee and the attendance of its members during the year ended 31 December 2015 are set out below:

<b>Name of Directors</b>	<b>Number of attendance/ meeting held</b>
Mr. TAN Yee Boon ( <i>Chairman</i> )	1/1
Mr. CHAN Francis Ping Kuen	1/1
Mr. WANG Jia Hua	1/1

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 11 to the financial statements.

The following is a summary of the work of the Remuneration Committee during the year ended 31 December 2015:

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

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

The composition of the Audit Committee and attendance of its members during the year ended 31 December 2015 are set out below:

<b>Name of Directors</b>	<b>Number of attendance/ meetings held</b>
Mr. CHAN Francis Ping Kuen ( <i>Chairman</i> )	5/5
Mr. TAN Yee Boon	5/5
Mr. WANG Jia Hua	5/5

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 2015:

- reviewed the audited financial statements of the Company for the year ended 31 December 2014 and the related results announcement;
- reviewed the interim accounts of the Company for the 6 months ended 30 June 2015 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.

# Corporate Governance Report

## **Auditor's Responsibilities and Remuneration**

The statement of the Company's external auditor Messrs. RSM Hong Kong (formerly known as RSM Nelson Wheeler) regarding their report responsibilities is set out in the Independent Auditors Report on page 23 to 24 of this annual report. For the year ended 31 December 2015, the remuneration payable to Messrs. RSM Hong Kong is HK\$184,000 for audit service, HK\$40,000 for review of interim report and continuing connected transactions and HK\$18,700 for tax compliance service.

## **Code of Conduct on Directors' Securities Transactions**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Listing Rules as its Code of Conduct regarding securities transactions by the Directors.

The Company has made specific enquiry of all the Directors and all the Directors have confirmed in writing that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

## **Internal Controls and Risk Management**

The Board has overall responsibility to review the effectiveness of the Company's internal control and risk management systems. During the year, the Board, through the Audit Committee, had reviewed and ensured that the Company's internal control process had been properly carried out when making investment or divestment decisions after taking into consideration the advice of the Investment Manager. Documents and records are properly maintained and the investment or divestment decisions are made in compliance with relevant laws and regulations.

The Board has also developed objective and policies for management of risk areas facing the Company, details of which are set out in note 5 to the financial statements.

## **Directors' Responsibility for Financial Statements and Corporate Governance**

The Directors acknowledge their responsibility for preparation of the Company's financial statements and ensure that the Company's financial statements for the year ended 31 December 2015 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 Board selected and engaged as its Company Secretary an external service provider of whom the professional qualification is acceptable to the Stock Exchange. The Company Secretary reports to the Chief Executive Officer and advises the Board regarding corporate governance matters. All Directors have access to the advice and services of the Company Secretary as and when required.

For the year under review, the Company Secretary has confirmed that she has taken no less than 15 hours of relevant professional training.

# Corporate Governance Report

## 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 2015 Annual General Meeting (the “AGM”) of the Company to answer questions raised.

Due to other business engagements, Mr. WANG Jia Hua, the Independent Non-executive Directors could not attend the 2015 AGM.

Explanation of detail procedures of voting by poll has been given at the commencement of the 2015 AGM. For each substantially separate issue at the 2015 AGM, a separate resolution was proposed by the chairman of the meeting. The poll results of the 2015 AGM had been published in accordance with the requirement of the Listing Rules.

The attendance of the 2015 AGM is set out below:

<b>Name of Directors</b>	<b>Number of attendance/ annual general meeting held</b>
Mr. CHAN Chak Paul	1/1
Mr. NGAI Wah Sang	1/1
Mr. WANG Daming	1/1
Mr. SUN Bo	N/A
Mr. CHAN Francis Ping Kuen	1/1
Mr. TAN Yee Boon	1/1
Mr. WANG Jia Hua	0/1

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

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

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS

### Procedure for Shareholders to Convene Special General Meetings (SGM)

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

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

### Shareholders' Enquiries

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

### Procedure for Making Proposals at General Meetings

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

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

# Corporate Governance Report

## **Procedure for Proposing a Person for Election as a Director**

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

## **Constitutional Documents**

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

On behalf of the Board

**CHAN Chak Paul**

*Chairman*

Hong Kong, 21 March 2016

# Independent Auditor's Report



## **TO THE SHAREHOLDERS OF EARNEST INVESTMENTS HOLDINGS LIMITED**

*(Continued into Bermuda with limited liability)*

We have audited the financial statements of Earnest Investments Holdings Limited (the “Company”) set out on pages 25 to 48, which comprise the statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



# Independent Auditor's Report

## OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015 and of the Company's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**RSM Hong Kong**

*Certified Public Accountants*

Hong Kong, 21 March 2016

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 HK\$	2014 HK\$
Revenue	7	115,760	2,902
Loss on disposal of available-for-sale financial assets		–	(50,000)
Gains on disposals of financial assets at fair value through profit or loss		2,448,660	873,680
Change in fair value (losses)/gains on financial assets at fair value through profit or loss (classified as held for trading)		(18,809,570)	3,021,120
Administrative and other operating expenses		(3,457,414)	(3,202,566)
<b>(Loss)/profit before tax</b>		<b>(19,702,564)</b>	645,136
Income tax	8	–	–
<b>(Loss)/profit for the year attributable to owners of the Company</b>	9	<b>(19,702,564)</b>	645,136
<b>Other comprehensive income for the year, net of tax</b>		–	–
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>(19,702,564)</b>	645,136
<b>(Loss)/earnings per share</b>			
Basic	13	(0.203)	0.008

# Statement of Financial Position

At 31 December 2015

	Note	2015 HK\$	2014 HK\$
<b>Current assets</b>			
Financial assets at fair value through profit or loss	14	24,981,310	36,116,390
Prepayments, deposits and other receivables		141,556	362,840
Bank and cash balances		8,449,793	16,764,868
		<b>33,572,659</b>	53,244,098
<b>Current liabilities</b>			
Accruals and other payables		246,662	215,537
<b>Net current assets</b>		<b>33,325,997</b>	53,028,561
<b>Total assets less current liabilities</b>		<b>33,325,997</b>	53,028,561
<b>NET ASSETS</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital	16	1,940,000	1,940,000
Reserves	18	31,385,997	51,088,561
<b>TOTAL EQUITY</b>		<b>33,325,997</b>	53,028,561
<b>Net asset value per share</b>	21	<b>0.34</b>	0.55

Approved by the Board of Director on 21 March 2016 and are signed on its behalf by:

**CHAN Chak Paul**  
*Executive Director*

**WANG Daming**  
*Executive Director*

# Statement of Changes in Equity

For the year ended 31 December 2015

	<b>Share capital</b>	<b>Share premium account</b>	<b>Contributed surplus account</b>	<b>(Accumulated losses)/ Retained profits</b>	<b>Total equity</b>
	HK\$	HK\$	HK\$	HK\$	HK\$
	(note 16)	(note 18)	(note 18)		
At 1 January 2014	1,620,000	5,760,000	28,040,011	(196,586)	35,223,425
Issue of shares (note 16(a))	320,000	16,840,000	–	–	17,160,000
Total comprehensive income for the year	–	–	–	645,136	645,136
Changes in equity for the year	320,000	16,840,000	–	645,136	17,805,136
At 31 December 2014 and 1 January 2015	1,940,000	22,600,000	28,040,011	448,550	53,028,561
Total comprehensive income and changes in equity for the year	–	–	–	(19,702,564)	(19,702,564)
At 31 December 2015	1,940,000	22,600,000	28,040,011	(19,254,014)	33,325,997

# Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$	2014 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before tax	<b>(19,702,564)</b>	645,136
Adjustments for:		
Loss on disposal of available-for-sale financial assets	–	50,000
Gains on disposals of financial assets at fair value through profit or loss	<b>(2,448,660)</b>	(873,680)
Change in fair value losses/(gains) on financial assets at fair value through profit or loss	<b>18,809,570</b>	(3,021,120)
Operating loss before working capital changes	<b>(3,341,654)</b>	(3,199,664)
Decrease/(increase) in prepayments, deposits and other receivables	<b>221,284</b>	(30,530)
Increase/(decrease) in accruals and other payables	<b>31,125</b>	(36,642)
Proceeds from disposal of available-for-sale financial assets	–	600,000
Proceeds from disposals of financial assets at fair value through profit or loss	<b>39,428,010</b>	26,217,160
Purchase of financial assets at fair value through profit or loss	<b>(44,653,840)</b>	(25,316,400)
<b>Net cash used in operating activities</b>	<b>(8,315,075)</b>	(1,766,076)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and net cash generated from financing activities	–	17,160,000
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(8,315,075)</b>	15,393,924
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>16,764,868</b>	1,370,944
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		
Representing bank and cash balances	<b>8,449,793</b>	16,764,868

# Notes to the Financial Statements

For the year ended 31 December 2015

## 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, No. 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).

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

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

The application of these new and revised HKFRSs did not result in significant changes to the Company’s accounting policies, presentation of the Company’s financial statements and amounts reported for the current and prior years.

### (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 2015. The Directors anticipate that the new and revised HKFRSs will be adopted in the Company’s financial statements when they become effective. The Company is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Financial Statements

For the year ended 31 December 2015

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

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

List of new and revised HKFRSs in issue but not yet effective that are relevant to the Company

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

### (c) New Hong Kong Companies Ordinance (Cap. 622)

The requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) came into operation during the financial year. Although the Company is not incorporated in Hong Kong, the Listing Rules require the Company to follow the disclosure requirement of the new Hong Kong Companies Ordinance. As a result, there are changes to presentation and disclosures of certain information in the financial statements.

### (d) Amendments to the Listing Rules

The Stock Exchange in April 2015 released revised Appendix 16 of the Listing Rules in relation to disclosure of financial information in annual reports that are applicable for accounting periods ending on or after 31 December 2015, with earlier application permitted. The Company has adopted the amendments resulting in changes to the presentation and disclosures of certain information in the financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies.

The 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.

### (b) 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.



# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) 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.

### (d) 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, for which transaction costs are expensed immediately.

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

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

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

#### (ii) Loans and receivables

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) 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.

### (f) 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.

### (g) 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.

### (h) 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.

### (i) Equity instruments

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

### (j) 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 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (k) Employee benefits

#### (i) Employee leave entitlements

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

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

#### (ii) Pension obligations

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

#### (iii) Termination benefits

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

### (l) 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.

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.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (l) Taxation (continued)

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.

### (m) 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 all financial assets, the carrying amount is directly reduced by the impairment loss.

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

### (n) 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.

### (o) 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 2015

## 5. FINANCIAL RISK MANAGEMENT

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

### (a) Price risk

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

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period.

If equity prices had been 10% higher/lower (2014: 10% higher/lower), loss after tax for the year ended 31 December 2015 would decrease/increase by HK\$2,498,131 (2014: profit after tax increase/decrease by HK\$3,611,639). 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 losses from change in fair value on financial assets at fair value through profit or loss held as at 31 December 2015 approximate to HK\$4,404,000.

### (b) Credit risk

The Company has no significant concentrations of credit risk.

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

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

### (c) Liquidity risk

The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. The Company's financial liabilities are repayable on demand or within one year.

### (d) Interest rate risk

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 5. FINANCIAL RISK MANAGEMENT (Continued)

### (e) Categories of financial instruments at 31 December

	2015 HK\$	2014 HK\$
<b>Financial assets:</b>		
Financial assets at fair value through profit or loss:		
Held for trading	24,981,310	36,116,390
Loans and receivables (including cash and cash equivalents)	8,577,349	16,835,187
<b>Financial liabilities:</b>		
Financial liabilities at amortised cost	246,662	215,537

### (f) Fair values

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

## 6. 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 2015

## 7. REVENUE

	2015 HK\$	2014 HK\$
Dividend income from listed investments	113,900	2,379
Bank interest income	1,860	523
Revenue	<b>115,760</b>	2,902
Proceeds from disposal of available-for-sale financial assets	–	600,000
Proceeds from disposals of financial assets at fair value through profit or loss	<b>39,428,010</b>	26,217,160
Gross proceeds from disposal of investments	<b>39,428,010</b>	26,817,160

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.

## 8. INCOME TAX

No provision for Hong Kong Profits Tax has been made in the financial statements since the Company has no assessable profit for the year (2014: Nil).

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

	2015 HK\$	2014 HK\$
(Loss)/profit before tax	<b>(19,702,564)</b>	645,136
Tax at 16.5% (2014: 16.5%)	<b>(3,250,923)</b>	106,447
Tax effect of income that is not taxable	<b>(19,101)</b>	(478)
Tax effect of expenses that are not deductible	–	25,575
Tax effect of temporary differences not recognised	<b>3,270,024</b>	(131,544)
Income tax	–	–

# Notes to the Financial Statements

For the year ended 31 December 2015

## 9. (LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015 HK\$	2014 HK\$
Auditor's remuneration	184,000	182,000
Investment management fee (note below)	412,258	360,000
Operating lease charges – land and buildings	168,000	161,000

Note:

During the year, the Company paid management fee of HK\$412,258 (2014: HK\$360,000) pursuant to the investment management agreements entered between the Company and Success Talent Investments Limited as investment manager (i) on 30 July 2012 for a term of three years from 26 July 2012 with a management fee of HK\$30,000 per month ("2012 Investment Management Agreement"); and (ii) on 3 June 2015 for a term of two years from 26 July 2015 with management fee of HK\$40,000 per month ("2015 Investment Management Agreement") payable monthly in arrears.

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 pursuant to the 2012 Investment Management Agreement and the 2015 Investment Management Agreement constitutes continuing connected transactions for the Company.

## 10. EMPLOYEE BENEFITS EXPENSE

	2015 HK\$	2014 HK\$
Employee benefits expense including directors' emoluments:		
Basic salaries and allowances	548,400	440,000
Discretionary bonus	16,000	8,000
Retirement benefit scheme contributions	16,300	11,000
	580,700	459,000



# Notes to the Financial Statements

For the year ended 31 December 2015

## 10. EMPLOYEE BENEFITS EXPENSE (Continued)

### Five highest paid individuals

The five highest paid individuals in the Company during the year included four (2014: four) Directors whose emoluments are reflected in the analysis presented in note 11. The emoluments of the remaining one (2014: one) individual is set out below:

	2015 HK\$	2014 HK\$
Basic salaries and allowances	192,000	94,400
Discretionary bonus	16,000	8,000
Retirement benefit scheme contributions	10,300	5,120
	<b>218,300</b>	<b>107,520</b>

The emoluments fell within the following band:

	Number of individuals	
	2015	2014
Nil to HK\$1,000,000	1	1

## 11. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of every Director for the years ended 31 December 2015 and 2014 is set out below:

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 11. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

### (a) Directors' emoluments (Continued)

	Fees HK\$	Employer's contribution to a retirement benefit scheme HK\$	Total HK\$
<b>Executive Director</b>			
Mr. CHAN Chak Paul	57,600	2,940	60,540
Mr. NGAI Wah Sang	57,600	2,940	60,540
Mr. WANG Daming	57,600	–	57,600
<b>Independent Non-executive Directors</b>			
Mr. CHAN Francis Ping Kuen	57,600	–	57,600
Mr. TAN Yee Boon	57,600	–	57,600
Mr. WANG Jia Hua	57,600	–	57,600
Total for 2014	345,600	5,880	351,480

Neither the Chief Executive nor any of the Directors waived any emoluments during the year (2014: Nil).

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 12. DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2015 (2014: Nil).

## 13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of HK\$19,702,564 (2014: profit of HK\$645,136) and the weighted average number of ordinary shares of 97,000,000 (2014: 82,227,397) in issue during the year.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during two years ended 31 December 2015 and 2014.

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 HK\$	2014 HK\$
Equity securities listed in Hong Kong, at cost	<b>38,387,794</b>	30,713,304
Net fair value (losses)/gains	<b>(13,406,484)</b>	5,403,086
Fair value as at 31 December	<b>24,981,310</b>	36,116,390

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

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

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

Particulars of the Company's financial assets at fair value through profit or loss as at 31 December 2015 are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Fair value		Dividend income received during the year	Dividend cover	Net assets attributable to the Company	
				Cost	Market value				
				HK\$	HK\$	HK\$	HK\$	HK\$	
(a) APAC Resources Limited ("APAC Resources")	Bermuda	330,000	Less than 1%	374,400	28,710	(345,690)	–	N/A	73,424
(b) China Dynamics (Holdings) Limited ("China Dynamics")	Bermuda	48,095,000	1.30%	8,295,668	17,795,150	9,499,482	–	N/A	43,536,716
(c) New Times Energy Corporation Limited ("New Times Energy")	Bermuda	975,000	Less than 1%	20,205,250	159,900	(20,045,350)	–	N/A	1,520,907
(d) Hong Kong Exchanges and Clearing Limited ("HKEX")	Hong Kong	20,000	Less than 1%	4,188,771	3,970,000	(218,771)	113,900	1.30	493,423
(e) Tencent Holdings Limited ("Tencent")	Cayman Islands	6,900	Less than 1%	1,039,315	1,052,250	12,935	–	N/A	103,584
(f) China Innovationpay Group Limited ("Innovationpay")	Bermuda	2,400,000	Less than 1%	1,891,500	996,000	(895,500)	–	N/A	406,944
(g) C.banner International Holdings Limited ("C.banner")	Bermuda	110,000	Less than 1%	328,390	388,300	59,910	–	N/A	115,016
(h) Shunfeng International Clean Energy Limited ("Shunfeng")	Cayman Islands	300,000	Less than 1%	2,064,500	591,000	(1,473,500)	–	N/A	619,703
				38,387,794	24,981,310	(13,406,484)	113,900		

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

- (a) APAC Resources is principally engaged in trading of commodities; and trading and investment of listed and unlisted securities. The audited consolidated loss attributable to owners of APAC Resources for the year ended 30 June 2015 was approximately HK\$847,926,000 (2014: profit of HK\$907,260,000). As at 30 June 2015, the audited consolidated net asset value attributable to owners of APAC Resources was approximately HK\$1,927,713,000 (2014: HK\$3,129,201,000). The unaudited consolidated loss attributable to owners of APAC Resources for the six months ended 31 December 2015 was approximately HK\$128,644,000 (2014: HK\$897,234,000). As at 31 December 2015, the unaudited consolidated net asset value attributable to owners of APAC Resources was approximately HK\$2,045,111,000 (2014: HK\$1,895,049,000).

# Notes to the Financial Statements

For the year ended 31 December 2015

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

- (b) China Dynamics is principally engaged in investment holding, trading of metals and minerals, development of new energy business and processing of raw ores and mineral resources. The audited consolidated loss attributable to owners of China Dynamics for the year ended 31 March 2015 was approximately HK\$48,414,000 (2014: HK\$35,986,000). As at 31 March 2015, the audited consolidated net asset value attributable to owners of China Dynamics was approximately HK\$3,544,118,000 (2014: HK\$3,107,783,000). The unaudited consolidated loss attributable to owners of China Dynamics for the six months ended 30 September 2015 was approximately HK\$198,033,000 (2014: HK\$45,306,000). As at 30 September 2015, the unaudited consolidated net asset value attributable to owners of China Dynamics was approximately HK\$3,354,800,000 (2014: HK\$3,511,701,000).
- (c) New Times Energy is principally engaged in (i) trading of oil products and non-ferrous metals; and (ii) exploration, development, production and sale of crude oil. The audited consolidated loss attributable to owners of New Times Energy for year ended 31 December 2014 was approximately HK\$120,448,000 (2013: profit of HK\$3,771,000). As at 31 December 2014, the audited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,845,021,000 (2013: HK\$3,985,746,000). The unaudited consolidated loss attributable to owners of New Times Energy for the six months ended 30 June 2015 was approximately HK\$46,192,000 (2014: HK\$46,140,000). As at 30 June 2015, the unaudited consolidated net asset value attributable to owners of New Times Energy was approximately HK\$3,895,122,000 (2014: HK\$3,859,980,000).
- (d) HKEX owns and operates (i) the only stock exchange and a futures exchange in Hong Kong and their related clearing houses; and (ii) an exchange for trading of base metals forward and options contracts operating in the United Kingdom. The audited consolidated profit attributable to owners of HKEX for the year ended 31 December 2015 was approximately HK\$7,956,000,000 (2014: HK\$5,165,000,000). As at 31 December 2015, the audited consolidated net asset value attributable to owners of HKEX was approximately HK\$29,816,000,000 (2014: HK\$21,273,000,000).
- (e) Tencent is principally engaged in provision of Internet and mobile value-added services, online advertising services and e-commerce transactions services to users in the People's Republic of China. The audited consolidated profit attributable to owners of Tencent for the year ended 31 December 2015 was approximately HK\$35,434,260,000 (2014: HK\$29,976,790,000). As at 31 December 2015, the audited consolidated net asset value attributable to owners of Tencent was approximately HK\$141,173,163,000 (2014: HK\$99,848,222,700).
- (f) Innovationpay is principally engaged in (i) trading of electronic products, network hardware, financial equipment and communication products; (ii) operations of prepaid card business; and (iii) development and operation of tourism VIP card products, online booking services of air tickets and hotels. The audited consolidated loss attributable to owners of Innovationpay for year ended 31 December 2014 was approximately HK\$122,724,000 (2013: HK\$279,352,000). As at 31 December 2014, the audited consolidated net asset value attributable to owners of Innovationpay was approximately HK\$1,021,822,000 (2013: HK\$823,278,000). The unaudited consolidated loss attributable to owners of Innovationpay for the six months ended 30 June 2015 was approximately HK\$31,501,000 (2014: HK\$19,584,000). As at 30 June 2015, the unaudited consolidated net asset value attributable to owners of Innovationpay was approximately HK\$1,020,034,000 (2014: HK\$968,780,000).
- (g) C. banner is principally engaged in manufacture and sale of branded fashion footwear. The audited consolidated profit attributable to owners of C. banner for the year ended 31 December 2015 was approximately HK\$316,741,000 (2014: HK\$304,960,000). As at 31 December 2015, the audited consolidated net asset value attributable to owners of C. banner was approximately HK\$2,176,943,000 (2014: HK\$1,857,378,000).

# Notes to the Financial Statements

For the year ended 31 December 2015

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

- (h) Shunfeng is principally engaged in manufacture and sales of solar cells, solar modules and solar wafers and solar power generation business. The audited consolidated profit attributable to owners of Shunfeng for the year ended 31 December 2014 was approximately HK\$1,646,618,000 (2013: loss of HK\$2,293,518,000). As at 31 December 2014, the audited consolidated net asset value attributable to owners of Shunfeng was approximately HK\$7,639,462,000 (2013: HK\$2,274,830,000). The unaudited consolidated profit attributable to owners of Shunfeng for the six months ended 30 June 2015 was approximately HK\$215,783,000 (2014: HK\$632,678,000). As at 30 June 2015, the unaudited consolidated net asset value attributable to owners of C. banner was approximately HK\$8,433,231,000 (2014: HK\$5,900,365,000).

## 15. DEFERRED TAX LIABILITIES

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

	<b>Fair value gains from financial assets at fair value through profit or loss HK\$</b>	<b>Tax losses HK\$</b>	<b>Total HK\$</b>
At 1 January 2014	(973,623)	973,623	–
(Charge)/credit to profit or loss (note 8)	(361,050)	361,050	–
At 31 December 2014 and 1 January 2015	(1,334,673)	1,334,673	–
Credit/(charge) to profit or loss (note 8)	1,334,673	(1,334,673)	–
At 31 December 2015	–	–	–

At the end of the reporting period the Company has unused tax losses of HK\$20,974,102 (2014: HK\$20,030,117) available for offset against future profits. At 31 December 2014, a deferred tax asset had been recognised in respect of HK\$8,088,930 of such losses and off-set by the deferred tax liabilities within the same tax jurisdiction. At 31 December 2015, no deferred tax asset has been recognised in respect of the tax losses of HK\$20,974,102 (2014: HK\$12,046,187) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

# Notes to the Financial Statements

For the year ended 31 December 2015

## 16. SHARE CAPITAL

	Number of shares	Amount HK\$
<b>Authorised:</b>		
Ordinary shares of HK\$0.02 each		
At 1 January 2014, 31 December 2014 and 31 December 2015	1,000,000,000	20,000,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.02 each		
At 1 January 2014	81,000,000	1,620,000
Issued of shares on placement (Note a)	16,000,000	320,000
At 31 December 2014 and 31 December 2015	97,000,000	1,940,000

Note:

- (a) On 21 November 2014, the Company and CNI Securities Group Limited entered into a placing agreement in respect of the placement of 16,000,000 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$1.1 per share (the Placing Shares<sup>2</sup>). The placement was completed on 4 December 2014 and the Placing Shares were allotted and issued by the Company to not less than six places. The premium on the issue of shares, amounting to approximately HK\$16,840,000, net of share issue expenses of HK\$440,000, was credited to the Company's share premium account.
- (b) On 24 December 2015, the Company and RHB Securities Hong Kong Limited entered into a placing agreement in respect of the placement of 19,000,000 ordinary shares of HK\$0.02 each to independent investors at a price of HK\$0.7 per share. The placement has been completed on 11 January 2016 and details are disclosed in Note 22.

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 2015 and 2014.

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

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

# Notes to the Financial Statements

For the year ended 31 December 2015

## 17. SHARE OPTIONS

During the year ended 31 December 2015, no option was granted, exercised, cancelled or lapsed under the share option scheme of the Company. There were no outstanding share options as at 31 December 2015 (2014: Nil).

## 18. RESERVES

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2015 and 2014 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.

## 19. CONTINGENT LIABILITIES

As at 31 December 2015, the Company did not have any significant contingent liabilities (2014: Nil).



# Notes to the Financial Statements

For the year ended 31 December 2015

## 20. LEASE COMMITMENTS

At 31 December 2015 the total future minimum lease payments under non-cancellable operating lease are payable as follows:

	2015 HK\$	2014 HK\$
Within one year	84,000	154,000
In the second to fifth years inclusive	–	98,000
	<b>84,000</b>	<b>252,000</b>

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

## 21. 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 2015 of HK\$33,325,997 (2014: HK\$53,028,561) and the number of ordinary shares of 97,000,000 (2014: 97,000,000) in issue as at that date.

## 22. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2016, 19,000,000 ordinary shares of HK\$0.02 each were issued by way of placing at price of HK\$0.7 per share and these new shares have been allotted by the Company to not less than six placees, who are professional investors as defined under the Securities and Futures Ordinance. The net proceeds from the placing is approximately HK\$12,800,000, which is intended to be used for working capital of the Company and future investments yet to be identified.

## 23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the board of directors on 21 March 2016.