

Earnest Investments Holdings Limited

(Continued into Bermuda with Limited Liability)
(Stock Code: 339)



Interim Report
2007

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. CHAN Chak Paul

Mr. WANG Daming

Mr. NGAI Wah Sang

Independent Non-executive Directors

Mr. Benny LUI

Mr. Oliver Yeung Kam LAI

Mr. CHAN Francis Ping Kuen

Company Secretary

Ms. CHUI Yee Man

Auditors

Messrs. RSM Nelson Wheeler

Certified Public Accountants

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Principal Place of Business

Units 801-802

8/F., Ginza Square

565-567 Nathan Road

Kowloon, Hong Kong

Stock Code

339

Investment Manager

Success Talent Investments Limited

Directors of the Investment Manager

Mr. CHOI Wai Yin

Mr. LEE Kwok Leung

Audit Committee

Mr. Benny LUI

Mr. Oliver Yeung Kam LAI

Mr. CHAN Francis Ping Kuen

Principal Registrars

Reid Management Limited

Argyle House

41A Cedar Avenue

Hamilton HM12

Bermuda

Branch Registrars

Tricor Tengis Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

Principal Banker

Bank of China (Hong Kong) Limited

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Earnest Investments Holdings Limited (the "Company") is pleased to present the unaudited interim financial results of the Company for the six months ended 30 June 2007 together with comparative figures for the corresponding period.

Interim Dividend

The Board does not recommend to pay any interim dividend for the six months ended 30 June 2007 (2006: Nil).

Results

For the six months ended 30 June 2007, the Company has recorded a turnover of approximately HK\$20 million (2006: approximately HK\$0.1 million) and a profit attributable to equity holders of approximately HK\$36 million (2006: loss of approximately HK\$2.9 million). The increase in turnover and the profit during the period were mainly due to the increase in trading volume and gain on securities trading.

Business Review

During the period under review, the Company had not made any new investment other than trading of Hong Kong listed securities. The Board will be cautious in making investment decision and hold cash in bank for the time being.

The Company's portfolio of Hong Kong listed securities as at 30 June 2007 consisted of China Elegance (Holdings) Limited, Shougang Concord International Enterprises Company Limited and Shougang Concord Century Holdings Limited. The Company's investments in unlisted companies had not generated any significant investment returns for the period ended 30 June 2007. The Board will closely monitor such investments in unlisted companies and will take appropriate action, if necessary.

As at 30 June 2007, approximately HK\$29 million (31 December 2006: HK\$10 million) of the Company's investment was in a portfolio of Hong Kong listed securities, HK\$14.5 million (31 December 2006: HK\$14.5 million) in the equity interests of unlisted companies, and HK\$16.5 million (31 December 2006: HK\$7 million) in cash which was deposited with a bank in Hong Kong.

Liquidity, Financial Resources and Funding

For the period under review, the Company financed its operations and investment activities through its internal resources. As at 30 June 2007, the net asset value of the Company was HK\$67,747,509 (31 December 2006: HK\$31,479,467) with net asset value per share of HK\$0.84 (31 December 2006: HK\$0.39). The Company continued to maintain a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.03 as at 30 June 2007 (31 December 2006: 0.006).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the balance sheet date. The Board believes that the Company has minimal exposure to foreign exchange risk.

Employees

During the period, the Company did not employ any employees other than the directors of the Company. Total staff cost for the period was HK\$172,800 (2006: HK\$172,800). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets and Contingent Liabilities

As at 30 June 2007, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

Prospects

The Company will continue to identify and pursue investment opportunities and manage the existing investments in accordance with the Company's investment objectives. The Board believes that the Company is able to further its investment objectives and to make timely investment as well as to capture opportunities when they arise.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, none of the directors of the Company or their associates had any interest and short position in the shares and underlying shares of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code").

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Shareholder

As at 30 June 2007, the register of substantial shareholders maintained under Section 336 of the SFO showed that the following shareholders had an interest of 5% or more in the shares and underlying shares of the Company:

Name of shareholder	Number of shares held	Percentage of total shares in issue as at 30 June 2007
Winsome Worldwide Limited (<i>note 1</i>)	22,275,000 *	27.50%
Siu Kwan (<i>note 1</i>)	22,275,000 #	27.50%
Yau Mei Han	14,051,250 *	17.35%
Supreme Zone Investments Limited (<i>note 2</i>)	11,812,500 *	14.58%
Keung Kwai Yung (<i>note 2</i>)	11,812,500 #	14.58%

* Beneficial owner

Interest of controlled corporation

Note 1: The 22,275,000 shares were held by Winsome Worldwide Limited which was wholly owned by Ms. Siu Kwan. By virtue of the SFO, Ms. Siu Kwan was deemed to be interested in 22,275,000 shares.

Note 2: The 11,812,500 shares were held by Supreme Zone Investments Limited which was wholly owned by Ms. Keung Kwai Yung. By virtue of the SFO, Ms. Keung Kwai Yung was deemed to be interested in 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 as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Purchase, Sale or Redemption of Listed Securities of the Company

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



MANAGEMENT DISCUSSION AND ANALYSIS

Corporate Governance

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not or was not in compliance with the Code on Corporate Governance Practices (the “Corporate Governance Code”) as set out in Appendix 14 of the Listing Rules throughout the period.

Model Code

The Company has adopted the Model Code as the code of conduct regarding directors’ securities transactions. All directors confirmed that they have complied with the required standards as set out in the Model Code.

Audit Committee

The audit committee, with its terms of reference established in accordance with the Corporate Governance Code, comprises three independent non-executive directors, Mr. Benny LUI, Mr. Oliver Yeung Kam LAI, and Mr. CHAN Francis Ping Kuen. The committee had reviewed the Company’s unaudited interim financial statements for the six months ended 30 June 2007.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June	
		2007 (unaudited) HK\$	2006 (unaudited) HK\$
Turnover	4	20,248,883	101,560
Cost of sales		(4,205,100)	(73,000)
		16,043,783	28,560
Net unrealized holding gain/(loss) from financial assets at fair value through profit or loss		23,178,680	(1,539,045)
Administrative and other operating expenses		(943,921)	(1,404,321)
Profit/(loss) before taxation	5	38,278,542	(2,914,806)
Income tax expense	6	(2,010,500)	–
Profit/(loss) for the period attributable to equity holders of the Company		36,268,042	(2,914,806)
Earnings/(loss) per share			
Basic	7	0.4478	(0.0542)

All of the Company's operations are classed as continuing.

The accompanying notes form part of this interim financial report.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED BALANCE SHEET

As at 30 June 2007

	Notes	30 June 2007 (unaudited) HK\$	31 December 2006 (audited) HK\$
Non-current assets			
Available-for-sale financial assets		14,500,000	14,500,000
		14,500,000	14,500,000
Current assets			
Financial assets at fair value through profit or loss		28,885,400	9,911,820
Prepayments, deposits and other receivables		9,895,929	203,630
Bank and cash balances		16,518,716	7,046,738
		55,300,045	17,162,188
Current liabilities			
Accruals and other payables		2,052,536	182,721
Net current assets		53,247,509	16,979,467
Total assets less current liabilities		67,747,509	31,479,467
Capital and reserves attributable to equity holders of the Company			
Share capital	8	1,620,000	1,620,000
Reserves		66,127,509	29,859,467
TOTAL EQUITY		67,747,509	31,479,467
Net asset value per share	9	0.84	0.39

The accompanying notes form part of this interim financial report.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital HK\$	Share premium HK\$	Contributed surplus HK\$	Retained profits/ (Accumulated losses) HK\$	Total HK\$
At 1 January 2006	7,200,000	50,294,617	-	(30,640,469)	26,854,148
Capital Reduction	(7,020,000)	-	7,020,000	-	-
Share Premium Cancellation	-	(50,294,617)	50,294,617	-	-
Credit Transfer	-	-	(29,274,606)	29,274,606	-
Issue of open offer shares	1,440,000	5,760,000	-	-	7,200,000
Loss for the period	-	-	-	(2,914,806)	(2,914,806)
At 30 June 2006	1,620,000	5,760,000	28,040,011	(4,280,669)	31,139,342
At 1 January 2007	1,620,000	5,760,000	28,040,011	(3,940,544)	31,479,467
Profit for the period	-	-	-	36,268,042	36,268,042
At 30 June 2007	1,620,000	5,760,000	28,040,011	32,327,498	67,747,509

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended	
	30 June	
	2007 (unaudited) HK\$	2006 (unaudited) HK\$
Net cash used in operating activities	9,471,978	(6,790,708)
Net cash from financing activities	–	7,200,000
Net increase in cash and cash equivalents	9,471,978	409,292
Cash and cash equivalents at 1 January 2007/2006	7,046,738	10,672,949
Cash and cash equivalents at 30 June 2007/2006	16,518,716	11,082,241
Analysis of the balances of cash and cash equivalents		
Bank and cash balances	16,518,716	11,082,241

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company under the laws of Bermuda. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F. Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment in and trading of listed and unlisted companies.

2. BASIS OF PREPARATION

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and The Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost basis, as modified by the revaluation of certain financial assets at fair value through profit or loss.

The accounting policies adopted in the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2006 except as described below.

In the current interim period, the Company has applied, for the first time, the following new standard, amendment and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Company's financial year beginning 1 January 2007.

NOTES TO CONDENSED FINANCIAL STATEMENTS

HKAS 1 (Amendment)	Capital Disclosures ¹
HKFRS 7	Financial Instruments: Disclosures ¹
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-Int 8	Scope of HKFRS 2 ³
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives ⁴
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment ⁵

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 March 2006

³ Effective for annual periods beginning on or after 1 May 2006

⁴ Effective for annual periods beginning on or after 1 June 2006

⁵ Effective for annual periods beginning on or after 1 November 2006

The adoption of these new HKFRSs had no material effect on the results of operations and financial position of the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised. The Company has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions ²
HK(IFRIC) – Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

The Company is in the process of assessing the potential impact of these standards or interpretations but not yet in a position to determine whether these standards or interpretations will have a significant impact on how its results of operations and financial position are prepared and presented. These standards or interpretations may result in changes in the future as to how the results and financial position are prepared and presented.

NOTES TO CONDENSED FINANCIAL STATEMENTS

4. TURNOVER AND REVENUE

	Six months ended 30 June	
	2007 HK\$	2006 HK\$
Turnover		
Dividend income from trading securities listed in Hong Kong	26,234	8,160
Bank Interest Income	88,839	–
Proceeds from sales of financial assets at fair value through profit or loss	20,133,810	93,400
Total Revenue	20,248,883	101,560

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

5. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging:

	Six months ended 30 June	
	2007 HK\$	2006 HK\$
Investment management fee	180,000	180,000
Staff costs	172,800	172,800

NOTES TO CONDENSED FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007 HK\$	2006 HK\$
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	2,010,500	–
	2,010,500	–

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits.

No provision for deferred tax has been made as the Company did not have any significant unprovided deferred taxation as at 30 June 2007 and 31 December 2006.

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit for the period attributable to equity holders of HK\$36,268,042 (2006: loss HK\$2,914,806) and on the 81,000,000 shares in issue (2006: on the weighted average number of ordinary shares of 53,772,025 shares).

No diluted earnings per share is presented for the current and prior period as the Company had no dilutive potential ordinary shares in issue.

NOTES TO CONDENSED FINANCIAL STATEMENTS

8. SHARE CAPITAL

	30 June 2007 HK\$	31 December 2006 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each	20,000,000	20,000,000
Issued and fully paid:		
81,000,000 ordinary shares	1,620,000	1,620,000

The Company had adopted a share option scheme (the "Option Scheme") on 26 May 2006 (the "Adoption Date") which constitute a share option scheme governed by Chapter 17 of the Listing Rules. The Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

During the period, no options was granted, exercised, cancelled or lapsed under the Option Scheme and there was no outstanding option as at 30 June 2007. Save for the Option Scheme of the Company, at no time during the period was the Company a party to any arrangement to enable the directors or chief executive of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.



NOTES TO CONDENSED FINANCIAL STATEMENTS

9. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets as at 30 June 2007 of HK\$67,747,509 (31 December 2006: HK\$31,479,467) and on the number of 81,000,000 ordinary shares in issue (31 December 2006: 81,000,000 shares).

10. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 14 September 2007.

By Order of the Board

Chan Chak Paul

Chairman

Hong Kong, 14 September 2007