

Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code:339)



2010

interim report

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. CHAN Chak Paul
Mr. NGAI Wah Sang
Mr. WANG Daming

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. CHUI Yee Man

AUDITOR

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. LEE Kwok Leung
Mr. CHOI Wai Yin

AUDIT COMMITTEE

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

PRINCIPAL REGISTRARS

Appleby Management
(Bermuda) Limited
Argyle House
41A Cedar Avenue
PO Box HM1179
Hamilton HM12
Bermuda

BRANCH REGISTRARS

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank 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 for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009.

RESULTS

For the six months ended 30 June 2010, the Company's unaudited loss attributable to owners was approximately HK\$5.3 million (2009: profit of HK\$25.3 million) and basic loss per share was HK\$0.065 (2009: earnings per share of HK\$0.312). The loss was mainly due to unrealised holding losses on Hong Kong listed securities.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

BUSINESS REVIEW

During the period under review, the Company recorded a net unrealised holding loss of approximately HK\$4 million on its share portfolio. As a result, the carrying value of the Company's share portfolio decreased to approximately HK\$28 million as at 30 June 2010. The Board will be cautious in our share trading activity under recent global economic atmosphere and share market volatility.

The Company's portfolio of Hong Kong listed securities as at 30 June 2010 consisted of Sinocop Resources (Holdings) Limited, New Times Energy Corporation Limited, Shougang Concord Century Holdings Limited, Shougang Concord International Enterprises Company Limited and APAC Resources Limited.

During the period, the Company sold an unlisted investment engaged in manufacturing and trading of printed circuit board for HK\$500,000.

As at 30 June 2010, 79% (31 December 2009: 79%) of the Company's total investments were in a portfolio of Hong Kong listed securities, 2% (31 December 2009: 3%) in the equity interests of unlisted companies, 1% (31 December 2009: 1%) in other assets, and 18% (31 December 2009: 17%) in cash which was deposited with a bank in Hong Kong.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

For the period under review, the Company generally financed its operations and investment activities by internal resources. As at 30 June 2010, the net asset value of the Company was HK\$35,431,912 (31 December 2009: HK\$40,716,401) with net asset value per share of HK\$0.44 (31 December 2009: HK\$0.50).

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' equity, was 0.002 as at 30 June 2010 (31 December 2009: 0.004).

All the Company's cash and cash equivalents were denominated in Hong Kong dollars as at the end of the reporting period. The directors believe 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 costs for the period was HK\$201,600 (2009: 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 2010, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

PROSPECTS

The Board will manage its existing investments in accordance with the Company's investment objectives, and will continue to identify and capture investment opportunities as and when they arise.

SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was approved by shareholders on 26 May 2006. The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Management Discussion and Analysis

During the period, no option was granted, exercised, cancelled, or lapsed under the Scheme and there was no outstanding option as at 30 June 2010.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 30 June 2010, no share option was granted to the directors under the Scheme.

As at 30 June 2010, 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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, 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 in issue as at 30 June 2010
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

Management Discussion and Analysis

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 the 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 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.

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.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules. The Company has applied the principles in the Code and complied with the code provisions during the six months ended 30 June 2010 except for the following:

Code Provision E.1.3 stipulates that the Company should arrange notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting.

Annual general meeting of the Company was held at 19 May 2010 and the notice was sent to shareholders on 23 April 2010. The Company has not given 20 clear business days of notice for the annual general meeting, but fulfilled the requirement under the Company's Bye-laws, which requires that an annual general meeting should be called by not less than 21 days notice in writing.

Management Discussion and Analysis

MODEL CODE

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions by the directors. All directors have confirmed in writing that they have complied with the required standards as set out in the Model Code throughout the period.

AUDIT COMMITTEE

The audit committee, with its terms of reference established in accordance with the Code, comprises four independent non-executive directors, Mr. CHAN Francis Ping Kuen, Mr. Benny LUI, Mr. TAN Yee Boon and Mr. WANG Jia Hua. The committee has reviewed the Company's unaudited condensed interim financial statements for the six months ended 30 June 2010.

Independent Review Report

RSM Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

TO THE BOARD OF DIRECTORS OF EARNEST INVESTMENTS HOLDINGS LIMITED

(Continued into Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 10 to 18 which comprises the condensed statement of financial position of the Company as at 30 June 2010 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

27 August 2010

Condensed Statement of Comprehensive Income

For the six months ended 30 June 2010

		(Unaudited)	
		Six months ended 30 June	
	Note	2010 HK\$	2009 HK\$
Turnover	4	656,063	3,220,607
Revenue	4	623	2,607
Realised (losses)/gains on disposals of financial assets at fair value through profit or loss		(48,500)	897,750
Realised loss on disposals of available-for-sale financial assets		(200,000)	(800,000)
Net unrealised holding (losses)/gains from financial assets at fair value through profit or loss		(4,010,054)	26,624,035
Administrative and other operating expenses		(1,026,558)	(905,708)
(Loss)/profit before tax		(5,284,489)	25,818,684
Income tax expense	5	–	(518,099)
(Loss)/profit for the period attributable to owners of the Company	6	(5,284,489)	25,300,585
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to owners of the Company		(5,284,489)	25,300,585
(Loss)/earnings per share			
Basic	8	(0.065)	0.312

Condensed Statement of Financial Position

As at 30 June 2010

		(Unaudited) 30 June 2010 HK\$	(Audited) 31 December 2009 HK\$
Non-current assets			
Available-for-sale financial assets		650,000	1,350,000
Current assets			
Financial assets at fair value through profit or loss		28,122,601	32,336,595
Prepayments, deposits and other receivables		247,336	93,900
Bank and cash balances		6,486,475	7,113,906
		34,856,412	39,544,401
Current liabilities			
Accruals and other payables		74,500	178,000
Net current assets		34,781,912	39,366,401
NET ASSETS		35,431,912	40,716,401
Capital and reserves attributable to owners of the Company			
Share capital	9	1,620,000	1,620,000
Reserves		33,811,912	39,096,401
TOTAL EQUITY		35,431,912	40,716,401
Net asset value per share	10	0.44	0.50

Condensed Statement of Changes in Equity

For the six months ended 30 June 2010

	(Unaudited)				Total equity HK\$
	Share capital HK\$ <i>(note 9)</i>	Share premium account HK\$	Contributed surplus account HK\$	(Accumulated losses)/ retained profits HK\$	
At 1 January 2009	1,620,000	5,760,000	28,040,011	(10,477,923)	24,942,088
Total comprehensive income and changes in equity for the period	-	-	-	25,300,585	25,300,585
At 30 June 2009	1,620,000	5,760,000	28,040,011	14,822,662	50,242,673
At 1 January 2010	1,620,000	5,760,000	28,040,011	5,296,390	40,716,401
Total comprehensive income and changes in equity for the period	-	-	-	(5,284,489)	(5,284,489)
At 30 June 2010	1,620,000	5,760,000	28,040,011	11,901	35,431,912

Condensed Statement of Cash Flows

For the six months ended 30 June 2010

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
Net cash (used in)/generated from operating activities	(627,431)	2,244,264
Net (decrease)/increase in cash and cash equivalents	(627,431)	2,244,264
Cash and cash equivalents at 1 January	7,113,906	4,038,259
Cash and cash equivalents at 30 June		
Representing bank and cash balances	6,486,475	6,282,523

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2010

1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. 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 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 of Hong Kong Limited.

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

2. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed financial statements should be read in conjunction with the 2009 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2010

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

In the current period, the Company has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) that are relevant to its operations and effective for its accounting period beginning on 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption 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 period and prior years.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2010

4. REVENUE AND TURNOVER

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
Dividend income from listed investments	–	2,220
Bank interest income	623	387
Revenue	623	2,607
Proceeds from disposals of available-for-sale financial assets	500,000	2,000,000
Proceeds from disposals of financial assets at fair value through profit or loss	155,440	1,218,000
Turnover	656,063	3,220,607

No segment information is presented as all of the turnover and revenue, 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 and the People's Republic of China.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2010

5. INCOME TAX EXPENSE

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
Deferred tax	–	518,099

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2010 as the Company had no assessable profit for the period. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2009 since the Company has sufficient tax losses brought forward to set off against assessable profit for that period.

6. (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	(Unaudited)	
	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
Investment management fee	180,000	180,000
Total staff costs	201,600	172,800

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2010

8. (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 period attributable to owners of the Company of HK\$5,284,489 (2009: profit of HK\$25,300,585) and the number of ordinary shares of 81,000,000 (2009: 81,000,000) in issue during the period.

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2010 and 2009.

9. SHARE CAPITAL

	(Unaudited) 30 June 2010 HK\$	(Audited) 31 December 2009 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 of HK\$0.02 each	1,620,000	1,620,000

During the six months ended 30 June 2010 and 2009, no option was granted, exercised, cancelled or lapsed under the share option scheme of the Company. There was no outstanding share option as at 30 June 2010 and 31 December 2009.

10. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets of the Company as at 30 June 2010 of HK\$35,431,912 (31 December 2009: HK\$40,716,401) and the number of ordinary shares of 81,000,000 (31 December 2009: 81,000,000) in issue as at that date.

11. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements were approved by the Board of Directors on 27 August 2010.