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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Lee Kwok Leung
Mr. Chan Chak Paul
Mr. Wang Daming

Independent Non-executive Directors

Mr. Lui Benny
Ms. Chan Bow Ye, Bonita

Company Secretary

Mr. Lee Yip Wah, Peter

Auditors

Messrs HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Registered Office

Century Yard, Cricket Square
Hutchins Drive, P. O. Box 2681GT
George Town, Grand Cayman
British West Indies

Principal place of business

Room 601
Tung Ning Building
2 Hillier Street
Sheung Wan
Hong Kong

Investment Manager

Success Talent Investments Limited

Directors of the Investment Manager

Mr. Choi Wai Yin
Mr. Lee Kwok Leung

Audit Committee

Mr. Lui Benny
Ms. Chan Bow Ye, Bonita

Principal Registrars

Bank of Butterfield International (Cayman) Ltd.
Butterfield House, Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands

Branch Registrars

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Principal Banker

Chiyu Banking Corporation

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Directors") 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 2002.

Interim Dividend

The Directors resolved not to pay any interim dividend for the six months ended 30 June 2002 (2001: Nil).

General

The Company is an investment company and during the interim financial period under review, the Company continued to focus on its investments with the primary objectives of achieving medium-term capital appreciation by investing in listed and unlisted companies in Hong Kong and the People's Republic of China.

Results

During the six months ended 30 June 2002, the net profit attributable to shareholders amounted to approximately HK\$100,000 (2001: net loss of approximately HK\$1,850,000). The changes was mainly due to the decrease in administrative and operating costs as a result of stringent cost control policy adopted by the Company during the period under review.

Business and Investment Review

At the balance sheet date, approximately 17% of the Company's investment was in a portfolio of Hong Kong listed securities, 44% in the equity interests of unlisted companies, 37% in long-term interest-bearing convertible loans receivable, and remaining 2% being deposited with banks in Hong Kong.

The portfolio of Hong Kong listed securities consisted of China Elegance International Fashion Limited, and China Mobile (Hong Kong) Limited. During the period, the long-term interest-bearing convertible loans receivable continued to contribute adequate returns in term of interest income as well as to offer the Company a steady source of income.

In accordance with the Company's investment objectives and policies of achieving medium-term capital appreciation, the Company has invested in two additional unlisted companies during the period under review. These two unlisted companies were mainly engaged in manufacturing and trading of printed circuit boards and in financial services respectively. The Company's unlisted investments had not generated any significant investment return yet but the Directors believe that these investments demonstrate good prospects of medium-term growth in profits and capital appreciation.

Share Capital

During the period, a Shares Sub-division as well as a change in board lot size had taken place as the Directors believed that they would improve the liquidity in trading of shares of the Company and therefore in the interests of the Company and its shareholders as a whole. Further details are set out in note 6 to the financial statements.

Subsequent to the balance sheet date, the Directors believed that it was appropriate time for the Company to raise working capital in order to maintain a higher working capital level given the current difficult investment environment. As a result, a placement of 60,000,000 new shares was proposed and completed. The Directors believe that placing of new shares is a better alternative to raise working capital as compared to disposal or realization of the Company's investments under the current market condition. Details of the shares placement are set out in note 6 to the financial statements.

Liquidity, Financial Resources and Funding

For the period under review, the Company generally finances its operations and investment activities by internal resources. As at 30 June 2002, the net asset value of the Company amounted to HK\$40,979,860 (31 December 2001: HK\$40,880,341) with net asset value per share of HK\$0.1366 (31 December 2001: HK\$0.1363, after adjustment for the effect of the Shares Sub-division as set out in note 6 to the financial statements). The Company continued to maintain a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.02 as at 30 June 2002 (31 December 2001: 0.035).

The Company's cash and cash equivalents are denominated in Hong Kong dollars. The directors believe that the Company has minimal exposure to foreign exchange risk.

Employees

For the period under review, total staff costs amounted to HK\$47,000 (2001: approximately HK\$953,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees.

Charges on the Company's Assets and Contingent Liabilities

As at 30 June 2002, 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 and policies of achieving medium-term growth in profits and capital appreciation. The Company will also adopt a conservative cash management approach so as to maintain a strong cash position and to take up investment opportunities when they arise.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

As at 30 June 2002, a director of the Company had the following personal interest in share options to subscribe for shares granted under a share option scheme (the "Scheme") approved by the shareholders of the Company on 7 July 2000:

Name of director	Date granted	Exercisable period	Outstanding at 1 January and 30 June 2002	Price per share to be paid on exercise of options HK\$
Mr. Lee Kwok Leung	23 October 2000	23 October 2000 to 22 October 2010	4,000,000*	0.1619*

During the period under review, 800,000 share options granted under the Scheme (before adjustment for the effect of Share Sub-division as set out in note 6 to the financial statements) were cancelled upon the resignation of a director, Mr. See Lee Seng, Reason. Except for the above share options held by a director of the Company, no other share option was outstanding as at 30 June 2002, and no share option was granted or exercised during the period.

Save as disclosed above, none of the directors or chief executives had any interests in any securities of the Company as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") as at 30 June 2002. At no time during the period was the Company a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

* After the adjustment for the effect of the Shares Sub-division as set out in note 6 to the financial statements.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2002, the register of substantial shareholder maintained under section 16(1) of the SDI Ordinance showed that the following shareholder had an interest of 10% or more in the issued share capital of the Company:

Name of shareholder	Number of ordinary shares held	Percentage of total shares in issue
Supreme Zone Investments Limited	82,500,000*	27.50%

Save as disclosed above, no other parties were recorded in the register as having an interest of 10% or more in the issued share capital of the Company as at 30 June 2002.

* After the adjustment for the effect of the Shares Sub-division as set out in note 6 to the financial statements.

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.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the six months period ended 30 June 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited, except that the independent non-executive directors of the Company are not appointed for a specific term as they are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The Audit Committee, comprising two Independent Non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters including the review of the Company's unaudited interim financial statements for the six months ended 30 June 2002.

CONDENSED INTERIM FINANCIAL STATEMENTS**CONDENSED INCOME STATEMENT**

For the six months ended 30 June 2002

	Notes	Six months ended 30 June	
		2002	2001
		(unaudited) HK\$	(unaudited) HK\$
Turnover	2	582,671	684,790
Other revenue	2	542	45,498
Other net income	2	1,620,130	1,360,386
Administrative and other operating expenses		(2,102,849)	(3,940,944)
Profit/(loss) from operations	3	100,494	(1,850,270)
Finance costs		(975)	–
Profit/(loss) before taxation		99,519	(1,850,270)
Taxation	4	–	–
Net profit/(loss) attributable to shareholders		99,519	(1,850,270)
Earnings/(loss) per share			
Basic	5	0.03 cent	(0.62) cent

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

There were no recognised gains or losses other than the net profit for the six months ended 30 June 2002. Accordingly, a statement of recognised gains and losses is not presented.

The accompanying notes form part of this interim financial report.

CONDENSED BALANCE SHEET

As at 30 June 2002

	30 June 2002 (unaudited) HK\$	31 December 2001 (audited) HK\$
Notes		
Non-Current Assets		
Tangible fixed assets	573,420	531,458
Non-trading securities	16,500,000	6,000,000
Convertible loans receivable	13,800,000	13,800,000
	<u>30,873,420</u>	<u>20,331,458</u>
Current Assets		
Non-trading securities	–	1,033,522
Trading securities	6,149,700	5,886,100
Short-term loans receivable	–	3,900,000
Sundry deposits, prepayments and other receivables	4,245,225	5,686,190
Deposits for investment in unlisted shares	–	5,000,000
Cash and cash equivalents	699,736	487,579
	<u>11,094,661</u>	<u>21,993,391</u>
Current Liabilities		
Sundry payables and accruals	988,221	1,427,172
Obligation under finance lease – due within one year	–	8,668
	<u>988,221</u>	<u>1,435,840</u>
Net Current Assets	<u>10,106,440</u>	<u>20,557,551</u>
Total Assets Less Current Liabilities	<u>40,979,860</u>	<u>40,889,009</u>
Non-Current Liabilities		
Obligation under finance lease – due after one year	–	8,668
Net Assets	<u>40,979,860</u>	<u>40,880,341</u>

CONDENSED BALANCE SHEET (CONTINUED)

As at 30 June 2002

	Notes	30 June 2002 (unaudited) HK\$	31 December 2001 (audited) HK\$
Capital and Reserves			
Share capital	6	6,000,000	6,000,000
Share options		2	2
Reserves	7	34,979,858	34,880,339
		<u>40,979,860</u>	<u>40,880,341</u>
Net Asset Value Per Share	8	<u>0.1366</u>	<u>0.1363</u>

The accompanying notes form part of this interim financial report.

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2002

	Six months ended 30 June	
	2002	2001
	(unaudited)	(unaudited)
	HK\$	HK\$
Net Cash Inflow/(Outflow) from Operating Activities	169,338	(4,124,309)
Returns on Investments and Servicing of Finance		
Interest received	542	45,498
Interest element of finance lease	(975)	–
Net cash inflow/(outflow) from returns on investments and servicing of finance	(433)	45,498
Investing Activities		
Increase in convertible loans receivable	–	(5,000,000)
Receipts from short-term loans receivable	3,900,000	–
Refund of deposit for investment in unlisted shares	5,000,000	2,424,242
Payments for purchases of tangible fixed assets	(594,503)	(331,100)
Payments for purchases of non-trading securities	(10,500,000)	–
Receipts from disposal of non-trading securities	680,516	–
Payments for purchases of trading securities	(5,218,900)	(9,323,178)
Receipts from disposal of trading securities	6,792,500	13,125,124
Net cash inflow from investing activities	59,613	895,088
Net Cash Inflow/(Outflow) before Financing	228,518	(3,183,723)
Financing		
(Cancellation)/inception of a finance lease	(12,026)	31,860
Capital element of finance lease payment	(4,335)	(5,310)
Net cash (outflow)/inflow from financing	(16,361)	26,550
Increase/(decrease) in cash and cash equivalents	212,157	(3,157,173)
Cash and cash equivalents at beginning of period	487,579	11,973,345
Cash and cash equivalents at end of period	699,736	8,816,172
Analysis of cash and cash equivalents		
Bank balances and cash	699,736	8,816,172

The accompanying notes form part of this interim financial report.

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed interim financial statements have been prepared under the historical cost convention, as modified by the marking-to-market of investment in trading securities, as well as in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Statement of Standard Accounting Practice No.25 "Interim Financial Reporting". The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31 December 2001.

2. TURNOVER, REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2002	2001
	HK\$	HK\$
Turnover		
Dividend Income from trading securities listed in Hong Kong	–	42,530
Interest on convertible loans receivable	582,671	642,260
	582,671	684,790
Other Revenue		
Interest on bank deposits	–	43,220
Other interest income	542	2,278
	542	45,498
Total Revenue	583,213	730,288
Other Net Income		
Net realized gains on disposal of trading securities	679,094	1,022,685
Net unrealized holding gains on trading securities	805,100	334,789
Sundry income	135,936	2,912
	1,620,130	1,360,386

No segment information is presented as substantially 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.

3. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations is stated after charging:

	Six months ended 30 June	
	2002 HK\$	2001 HK\$
Total staff costs	47,000	952,953
Depreciation of owned tangible fixed assets	167,199	300,436
Depreciation of tangible fixed asset held under finance lease	3,319	3,983
Investment management fee (note 9)	<u>293,842</u>	<u>354,253</u>

4. TAXATION

No provision for Hong Kong profits tax has been made as the Company had no assessable profits arising in Hong Kong for the current and the last corresponding period.

No provision for deferred tax has been made as the Company did not have any significant unprovided deferred taxation as at 30 June 2002 and 31 December 2001.

5. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the net profit for the period of approximately HK\$100,000 (2001: net loss of approximately HK\$1,850,000) and on the 300,000,000 shares in issue after the Shares Sub-division as set out in note 6. The loss per share for 2001 has been adjusted accordingly.

No diluted earnings per share is presented for the period ended 30 June 2002 as the exercise of share options of the Company is anti-dilutive.

6. SHARE CAPITAL

	30 June 2002 HK\$	31 December 2001 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each (Note a)	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid:		
300,000,000 ordinary shares of HK\$0.02 each (Note a)	<u>6,000,000</u>	<u>6,000,000</u>

6. SHARE CAPITAL (CONTINUED)

Note a : On 8 May 2002, the Directors proposed that each of the existing issued and unissued shares having a par value of HK\$0.1 each be sub-divided into 5 shares having a par value of HK\$0.02 each (the "Sub-divided Shares"), as well as to change the board lot size from 10,000 shares to 25,000 Sub-divided Shares immediately after the fulfillment of the conditions of the Shares Sub-division. The Shares Sub-division was completed and became effective on 31 May 2002, and the Company's shares were traded in board lots of 25,000 Sub-divided Shares after 8 July 2002.

The Company has adopted an employees share option scheme approved by the Shareholders on 7 July 2000 under which the Board may grant to eligible employees, including the executive directors, the officers and the full-time employees of the Company, options to subscribe for shares of the Company.

As at the interim reporting date, the Company had, as a result of the above mentioned Shares Sub-division (Note a), 4,000,000 outstanding share options entitling the holder to subscribe for shares of the Company at a price of HK\$0.1619 per share at any time during the period from 23 October 2000 to 22 October 2010.

Subsequent to the balance sheet date, a total of 60,000,000 shares of HK\$0.02 each were issued to independent investors at a price of HK\$0.02 per share on 11 September 2002 pursuant to a placing agreement entered into between the Company and Yicko Securities Limited on 19 August 2002. The closing market price, as quoted on The Stock Exchange of Hong Kong Limited, as at 19 August 2002, was HK\$0.016 per share. The net proceeds of approximately HK\$1,100,000 would be utilized as working capital of the Company.

7. RESERVES

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Balance at 1 January 2002	50,324,617	(15,444,278)	34,880,339
Net profit for the period	–	99,519	99,519
Balance at 30 June 2002	<u>50,324,617</u>	<u>(15,344,759)</u>	<u>34,979,858</u>

8. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets as at 30 June 2002 of HK\$40,979,860 (31 December 2001: HK\$40,880,341) and 300,000,000 ordinary shares in issue as at that date (31 December 2001: 300,000,000 shares, after adjustment for the effect of the Shares Sub-division as set out in note 6).

9. RELATED PARTY TRANSACTION

The Company had the following material transactions with a related party during the period:

	Six months ended 30 June	
	2002	2001
	HK\$	HK\$
Investment management fee paid to Success Talent Investments Limited	<u>293,842</u>	<u>354,253</u>

Success Talent Investments Limited is a company in which Mr. Lee Kwok Leung, director of the Company, has beneficial interests. Monthly investment management fee is calculated at 1.5% per annum of the net asset value of the Company of the preceding month in accordance with the Investment Management Agreement.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

11. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 19 September 2002.

By Order of the Board
Lee Kwok Leung
Executive Director

Hong Kong, 19 September 2002