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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chan Chak Paul
Mr. Wang Daming
Mr. Ngai Wah Sang
Mr. Chong Chin

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
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Principal Banker

Bank of China (Hong Kong) Limited

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 2003.

Interim Dividend

The Directors do not declare any interim dividend for the six months ended 30 June 2003 (2002: 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 objective 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 2003, the net loss attributable to shareholders amounted to approximately HK\$352,000 (2002: net profit of approximately HK\$100,000). The loss was mainly due to the reason that there was no unrealized holding gain on trading securities and no disposal of trading securities during the period under review, although it had been partly offset by the decrease in administrative and operating expenses as a result of stringent cost control policy adopted by the Company.

Business Review

The Company had continued to take active measures to restructure its investment portfolio and has invested in one additional unlisted company during the period under review. The unlisted company was mainly engaged in sourcing and trading of pharmaceutical products.

At the balance sheet date, approximately 11% of the Company's investment was in a portfolio of Hong Kong listed securities, 53% in the equity interests of unlisted companies, 36% in long-term interest-bearing convertible loans receivable.

The Company's 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 terms of interest income as well as to offer the Company a steady source of income.

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 2003, the net asset value of the Company amounted to HK\$39,258,359 (31 December 2002:HK\$39,610,660) with net asset value per share of HK\$0.1091 (31 December 2002: HK\$0.1100). The Company continued to maintain a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.012 as at 30 June 2003 (31 December 2002 : 0.010).

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, the Company did not employ any employees other than the directors of the Company. Total staff costs amounted to approximately HK\$40,000 (2002: approximately HK\$47,000). 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 2003, 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.

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

As at 30 June 2003, 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 as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO").

Movement of the share option granted under a share option scheme (the "Scheme"), approved by the shareholders of the Company on 7 July 2000, during the six months ended 30 June 2003 was as follows:

Name	Options held at 1 January 2003	Exercisable period	Date granted	Options lapse during the period	Outstanding at 30 June 2003
Mr. Lee Kwok Leung (note 1)	4,000,000	23 October 2000 to 22 October 2010	23 October 2000	(4,000,000)	–

Note 1: Mr. Lee Kwok Leung resigned as a director of the Company on 2 January 2003. The 4,000,000 share options granted to him and exercisable during a period of 10 years from the date of grant at a price of HK\$0.1619 per shares were lapsed upon his resignation of a director.

During the period, no option was granted, exercised or cancelled under the Scheme. Save as disclosed above, 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 associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDER

As at 30 June 2003, the register of substantial shareholder 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 ordinary shares held*	Percentage of total shares in issue as at 30 June 2003
Supreme Zone Investments Limited (<i>note 2</i>)	82,500,000	22.92%
Ms Yau Mei Han	42,450,000	11.79%
Benluck Company Limited	35,900,000	9.97%
Winsome Worldwide Ltd	29,000,000	8.06%

* Beneficial owner

Note 2: Ho Wai Ling, Rebecca is, by virtue of SFO, deemed to be interested in the Company's shares in which Supreme Zone Investments Limited is interested.

Save as disclosed above, no other parties were recorded in the register as having interest of 5% or more in the issued share capital of the Company as at 30 June 2003.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company or any of its subsidiaries 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 2003, 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 specific terms 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 2003.

CONDENSED INTERIM FINANCIAL STATEMENTS

CONDENSED INCOME STATEMENT

For the six months ended 30 June 2003

	Notes	Six months ended 30 June	
		2003 (unaudited) HK\$	2002 (unaudited) HK\$
Turnover	2	583,290	582,671
Other revenue	2	–	542
Other net income	2	26,000	1,620,130
Administrative and other operating expenses		<u>(961,591)</u>	<u>(2,102,849)</u>
(Loss) /profit from operations	3	(352,301)	100,494
Finance costs		<u>–</u>	<u>(975)</u>
(Loss)/profit before taxation		(352,301)	99,519
Taxation	4	<u>–</u>	<u>–</u>
		<u>(352,301)</u>	<u>99,519</u>
(Loss)/earnings per share			
Basic	5	<u>(0.098) cent</u>	<u>0.03 cent</u>

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

The accompanying notes form part of this interim financial report.

CONDENSED BALANCE SHEET

As at 30 June 2003

	Notes	30 June 2003 (unaudited) HK\$	31 December 2002 (audited) HK\$
Non-Current Assets			
Fixed assets		378,754	466,777
Non-trading securities		20,656,000	16,656,000
Convertible loans receivable		13,800,000	13,800,000
		<u>34,834,754</u>	<u>30,922,777</u>
Current Assets			
Trading securities		4,105,800	4,106,100
Sundry deposits, prepayments and other receivables		775,500	4,588,809
Cash and cash equivalents		10,170	462,981
		<u>4,891,470</u>	<u>9,157,890</u>
Current Liabilities			
Sundry payables and accruals		467,865	470,007
		<u>4,423,605</u>	<u>8,687,883</u>
Net Current Assets		<u>4,423,605</u>	<u>8,687,883</u>
Net Assets		<u>39,258,359</u>	<u>39,610,660</u>
Capital and Reserves			
Share capital	6	7,200,000	7,200,000
Share options		1	1
Reserves		32,058,358	32,410,659
		<u>39,258,359</u>	<u>39,610,660</u>
Net Asset Value Per Share	7	<u>0.1091</u>	<u>0.1100</u>

The accompanying notes form part of this interim financial report.

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Share capital HK\$	Share options HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2002	6,000,000	2	50,324,617	(15,444,278)	40,880,341
Net profit for the period				99,519	99,519
At 30 June 2002	<u>6,000,000</u>	<u>2</u>	<u>50,324,617</u>	<u>(15,344,759)</u>	<u>40,979,860</u>
At 1 January 2003	7,200,000	1	50,294,617	(17,883,958)	39,610,660
Net loss for the period				(352,301)	(352,301)
At 30 June 2003	<u>7,200,000</u>	<u>1</u>	<u>50,294,617</u>	<u>(18,236,259)</u>	<u>39,258,359</u>

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Six months ended 30 June	
	2003	2002
	(unaudited) HK\$	(unaudited) HK\$
Net cash inflow from operating activities	3,546,999	168,905
Net cash (used in)/from investing activities	(3,999,810)	59,613
Net cash used in financing activities	—	(16,361)
Net (decrease)/increase in cash and cash equivalents	(452,811)	212,157
Cash and cash equivalents at 1 January	462,981	487,579
Cash and cash equivalents at 30 June	10,170	699,736
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	10,170	699,736

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

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 2002, except that the Company has changed its accounting policy following its adoption of SSAP 12 (Revised) "Income Taxes" issued by The Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

The adoption of this standard has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment was required.

2. TURNOVER, REVENUE AND OTHER NET INCOME

	Six months ended 30 June	
	2003	2002
	HK\$	HK\$
Turnover		
Dividend Income from trading securities listed in Hong Kong	619	–
Interest on convertible loans receivable	582,671	582,671
	583,290	582,671
Other Revenue		
Other interest income	–	542
	–	542
Total Revenue	583,290	583,213
Other Net Income		
Net realized gains on disposal of trading securities	–	679,094
Net unrealized holding gains on trading securities	–	805,100
Sundry income	26,000	135,936
	26,000	1,620,130

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. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after charging:

	Six months ended 30 June	
	2003 HK\$	2002 HK\$
Total staff costs	40,000	47,000
Depreciation of fixed assets	88,452	167,199
Depreciation of fixed asset held under finance lease	–	3,319
Investment management fee (note 8)	294,898	293,842

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 2003 and 31 December 2002.

5. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss) /earnings per share is based on the net loss for the period of approximately HK\$352,000 (2002: net profit of approximately HK\$100,000) and on the 360,000,000 shares in issue (2002 : 300,000,000 shares).

No diluted (loss)/earnings per share is presented for the six months ended 30 June 2003 as there are no share options outstanding. For the six months ended 30 June 2002, the exercise of share options of the Company is anti-dilutive.

6. SHARE CAPITAL

	30 June 2003 HK\$	31 December 2002 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each	20,000,000	20,000,000
Issued and fully paid:		
360,000,000 ordinary shares of HK\$0.02 each	7,200,000	7,200,000

6. SHARE CAPITAL (CONTINUED)

Under the terms of the Company's share option scheme (the "Scheme") approved by the shareholders on 7 July 2000, the Directors may, at its discretion, invite any full-time employees, including Executive Directors of the Company upon a payment of HK\$1.00 to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The exercise price is to be determined by the Directors at their absolute discretion provided that in no event shall such price be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the Company's shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options.

The maximum number of shares in respect of which options may be granted under the Scheme when aggregated with any securities subject to any other scheme may not exceed 10% of the shares, which have been duly allotted and issued. The maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the Scheme.

As at the interim reporting date, the Company had no outstanding share options entitling the holder to subscribe for shares of the Company.

7. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net assets as at 30 June 2003 of HK\$39,258,359 (31 December 2002: HK\$39,610,660) and 360,000,000 ordinary shares in issue as at that date (31 December 2002: 360,000,000 shares).

8. RELATED PARTY TRANSACTION

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

	Six months ended 30 June	
	2003	2002
	HK\$	HK\$
Investment management fee paid to		
Success Talent Investments Limited	294,898	293,842

Success Talent Investments Limited is a company in which Mr. Lee Kwok Leung, who had been resigned as director of the Company on 2 January 2003, 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.

9. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 19 September 2003.

By Order of the Board

Chan Chak Paul

Executive Director

Hong Kong, 19 September 2003