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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. Lui Benny

Ms. Chan Bow Ye, Bonita

Company Secretary

Mr. Peter Lee Yip Wah

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

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. 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 2004.

Interim Dividend

The Directors does not declare any interim dividend for the six months ended 30 June 2004 (2003: Nil).

Results

For the six months ended 30 June 2004, the Company has recorded a turnover of approximately HK\$278,000 (2003: approximately \$583,000) and a net loss attributable to shareholders of approximately HK\$3,329,000 (2003: approximately HK\$352,000). The decrease in turnover is due to the drop of interest income because two interest-bearing convertible loans receivable were repaid in December 2003 and January 2004 respectively. The increase in net loss attributable to shareholders is mainly due to the increase in unrealized loss of a trading security.

Business Review

The global market was very unstable in the first half year of 2004, which was basically due to the dramatic increase in oil price and the up-rising trend of the US interest rate. Along with the recent macro-economic tightening measures imposed by the Central Government of China due to the overheated economy in China, the market was very volatile and unpredictable. In view of this, the Company held cash in bank for the time being and the Directors was very cautious in making investment decision.

For the period under review, interest income dropped significantly as two interest-bearing convertible loans receivable had been repaid as stated above.

The Company's portfolio of Hong Kong listed securities as at 30 June 2004 consisted of China Elegance (Holdings) Limited, China Mobile (Hong Kong) Limited and Shougang Concord Century Holdings Limited. Although a significant unrealized holding loss on trading securities was recorded during the period, the Directors believes that the portfolio will bring along favourable returns to the Company in medium term.

Management Discussion and Analysis

For the period ended 30 June 2004, the Company's investments in unlisted companies had not generated any significant investment return, however, the Directors believes that these investments will demonstrate good prospects of medium-term growth in profits and capital appreciation.

As at 30 June 2004, approximately 5% (31 December 2003: 11%) of the Company's investment was in a portfolio of Hong Kong listed securities, 55% (31 December 2003: 50%) in the equity interests of unlisted companies, 19% (31 December 2003: 31%) in convertible loans receivable, and the remaining 21% (31 December 2003: 8%) in cash which was deposited with a bank in Hong Kong.

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 2004, the net asset value of the Company amounted to HK\$32,468,130 (31 December 2003: HK\$35,797,555) with net asset value per share of HK\$0.090 (31 December 2003: HK\$0.099). The Company continued to maintain a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.005 as at 30 June 2004 (31 December 2003: 0.010).

All the Company's cash and cash equivalents are denominated in Hong Kong dollars as at the balance sheet date. 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, and no staff costs were recorded. (2003: HK\$40,000). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets and Contingent Liabilities

As at 30 June 2004, 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. As the Company has maintained a relatively strong cash position, the Directors believe that the Company is able to take up investment opportunities when they arise.

Management Discussion and Analysis

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2004, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

During the period, no options was granted, exercised, cancelled or lapsed under a share option scheme approved by the shareholders of the Company on 7 July 2000. Save for the share option scheme of the Company, 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.

Directors' Interests in Contracts

No director had a beneficial interest in any contract of significance to the business of the Company to which the Company was a party during the period under review.

Substantial Shareholder

As at 30 June 2004, the following persons had registered an interest or short position in the shares and underlying shares of 5% or more of the issued share capital of the Company in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Number of shares held	Percentage of total shares in issue as at 30 June 2004
Winsome Worldwide Limited (note 1)	59,000,000*	16.39%
Siu Kwan (note 1)	59,000,000#	16.39%
Supreme Zone Investments Limited (note 2)	52,500,000*	14.58%
Keung Kwai Yung (note 2)	52,500,000#	14.58%
Yau Mei Han	42,450,000*	11.79%
Benluck Company Limited	35,900,000*	9.97%

* Beneficial owner

Interest of controlled corporation

Management Discussion and Analysis

Note 1: The 59,000,000 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 59,000,000 shares.

Note 2: The 52,500,000 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 Yun was deemed to be interested in 52,500,000 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.

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 2004, 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 (the "Listing Rules"), 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 provisions of the Company's Articles of Association.

Model Code

The Company has adopted a model code for securities transaction by directors on term no less exacting than the required standard set out in Appendix 10 of the Listing Rules. The Company has made specific enquiry of all directors that all of them have complied with the required standard set out in the model code for securities transaction by directors.

Audit Committee

The Company has established an audit committee (the "Audit Committee") in compliance with the requirements of the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The Audit Committee, which comprises 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 2004.

Condensed Interim Financial Statements

Condensed Income Statement

For the six months ended 30 June 2004

	Notes	Six months ended 30 June	
		2004 (unaudited) HK\$	2003 (unaudited) HK\$
Turnover	2	277,942	583,290
Other net income	2	-	26,000
Administrative and other operating expenses		(3,607,367)	(961,591)
Loss from operations		(3,329,425)	(352,301)
Finance costs		-	-
Loss before taxation	3	(3,329,425)	(352,301)
Taxation	4	-	-
Net loss attributable to shareholders		(3,329,425)	(352,301)
Loss per share			
Basic	5	(0.925) cent	(0.098) cent

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 2004

	Notes	30 June 2004 (unaudited) HK\$	31 December 2003 (audited) HK\$
Non-Current Assets			
Fixed assets		201,777	290,266
Non-trading securities		17,578,000	17,578,000
Convertible loans receivable		6,000,000	11,000,000
		23,779,777	28,868,266
Current Assets			
Trading securities		1,492,200	3,866,700
Sundry deposits, prepayments and other receivables		703,546	588,188
Cash and cash equivalents		6,644,886	2,840,146
		8,840,632	7,295,034
Current Liabilities			
Sundry payables and accruals		152,279	365,745
		8,688,353	6,929,289
Net Current Assets			
		32,468,130	35,797,555
Net Assets			
Capital and Reserves			
Share capital	6	7,200,000	7,200,000
Reserves		25,268,130	28,597,555
		32,468,130	35,797,555
Net Asset Value Per Share			
	7	0.090	0.099

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 2004

	Share capital HK\$	Share options HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
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	7,200,000	1	50,294,617	(18,236,259)	39,258,359
At 1 January 2004	7,200,000	-	50,294,617	(21,697,062)	35,797,555
Net loss for the period				(3,329,425)	(3,329,425)
At 30 June 2004	7,200,000	-	50,294,617	(25,026,487)	32,468,130

Condensed Interim Financial Statements

Condensed Cash Flow Statement

For the six months ended 30 June 2004

	Six months ended 30 June	
	2004 (unaudited) HK\$	2003 (unaudited) HK\$
Net cash (used in)/from operating activities	(743,485)	3,546,999
Net cash from / (used in) investing activities	4,548,225	(3,999,810)
Net cash from / (used in) financing activities	-	-
Net increase / (decrease) in cash and cash equivalents	3,804,740	(452,811)
Cash and cash equivalents at 1 January 2004/2003	2,840,146	462,981
Cash and cash equivalents at 30 June 2004/2003	6,644,886	10,170
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	6,644,886	10,170

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 (the "Stock Exchange") 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 2003.

2. Turnover, Revenue and Other Net Income

	Six months ended 30 June	
	2004 HK\$	2003 HK\$
Turnover		
Dividend Income from trading security listed in Hong Kong	380	619
Interest on convertible loans receivable	277,562	582,671
Total Revenue	277,942	583,290
Other Net Income		
Sundry income	-	26,000
	-	26,000

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.

Notes to Condensed Financial Statements

3. Loss before Taxation

Loss before taxation is stated after charging:

	Six months ended 30 June	
	2004 HK\$	2003 HK\$
Total staff costs	–	40,000
Depreciation of fixed assets	88,489	88,452
Net unrealized holding losses from trading securities	2,826,655	300
Investment management fee (note 8)	241,487	294,898

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 2004 and 31 December 2003.

5. Loss per Share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$3,329,000 (2003: approximately HK\$352,000) and on the 360,000,000 shares in issue (2003: 360,000,000 shares)

No diluted loss 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

6. Share Capital

	30 June 2004 HK\$	31 December 2003 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

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 and that 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 2004 of HK\$32,468,130 (31 December 2003: HK\$35,797,555) and 360,000,000 ordinary shares in issue as at that date (31 December 2003: 360,000,000 shares).

Notes to Condensed Financial Statements

8. Related Party Transaction

During the period, the Company had the following significant transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary cause of the Company's business:

	Six months ended 30 June	
	2004	2003
	HK\$	HK\$
Investment management fee paid to Success Talent Investments Limited (Note a)	241,487	294,898
Office rental paid to Yieldwin Limited (Note b)	90,000	90,000

Note a: Success Talent Investments Limited is a company in which Mr. Lee Kwok Leung, a former director of the Company who resigned 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 dated 13 July 2000. The Management Agreement had been renewed on 21 July 2003 with monthly investment management fee adjusted from 1.5% to 1.35% per annum.

Note b: Yieldwin Limited is a company in which Mr. Chong Chin, who was appointed as a director of the Company on 13 February 2003 and subsequently resigned as director of the Company on 4 March 2004, has beneficial interests. Pursuant to the tenancy agreement which covered a tenancy period from 1 May 2002 to 30 April 2005, signed between the Company and Yieldwin Limited, a monthly rental fee of HK\$15,000 is charged by Yieldwin Limited.

9. APPROVAL OF INTERIM FINANCIAL REPORT

The interim financial report was approved by the Board on 16 September 2004.

By Order of the Board
Chan Chak Paul
Executive Director

Hong Kong, 16 September 2004