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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

Century Yard, Cricket Square

Hutchins Drive, P. O. Box 2681GT

George Town, Grand Cayman

British West Indies

Principal place of business

Room 1901, 19/F

Emperor Group Centre

288 Hennessy Road

Wanchai

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

Butterfield Bank (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 2005.

Interim Dividend

The Directors does not recommend to pay any interim dividend for the six months ended 30 June 2005 (2004: Nil).

Results

For the six months ended 30 June 2005, the Company has recorded a turnover of approximately HK\$239,000 (2004: approximately \$278,000) and a net loss attributable to shareholders of approximately HK\$1,435,000 (2004: approximately HK\$3,329,000). The decrease in net loss attributable to shareholders is mainly due to the decrease in net unrealized loss of trading securities.

Business Review

The Company had not made any new investment during the period under review, and the Directors will be cautious in making investment decision. In view of taking up attractive investment opportunities outside Hong Kong and PRC should they arise, the Company had proposed to increase its investment threshold from investing by not more than 20% of its assets outside Hong Kong and the PRC to 50%, such proposed resolution was approved by the shareholders at the Annual General Meeting held on 27 May 2005.

The financial assets at fair value through profit and loss represents the Company’s portfolio of Hong Kong listed securities (“Listed Securities”) as at 30 June 2005, which consisted of China Elegance (Holdings) Limited, China Mobile (Hong Kong) Limited and Shougang Concord Century Holdings Limited. The available-for-sale investments represents the Company’s investments in unlisted companies (“Unlisted Companies”) as at 30 June 2005. The Unlisted Companies had not generated any significant investment return for the period ended 30 June 2005, however, the Directors believes that these investments will demonstrate good prospects of medium-term growth in profits and capital appreciation.

As at 30 June 2005, approximately 7% (31 December 2004: 9%) of the Company’s investment was in Listed Securities, 52% (31 December 2004: 52%) in the equity interests of Unlisted Companies, 21% (31 December 2004: 21%) in convertible loans and receivables, and the remaining 20% (31 December 2004: 18%) in cash which was deposited with a bank in Hong Kong.

Management Discussion and Analysis

Liquidity, Financial Resources and Funding

For the period under review, the Company generally financed its operations and investment activities by internal resources. As at 30 June 2005, the net asset value of the Company amounted to HK\$28,220,011 (31 December 2004: HK\$29,654,719) with net asset value per share of HK\$0.078 (31 December 2004: HK\$0.082). The Company maintained a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.010 as at 30 June 2005 (31 December 2004: 0.007).

All the Company's cash and cash equivalents were 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. Total staff costs for the period ended 30 June 2005 amounted to HK\$172,800 (2004: Nil). 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 2005, 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 and Short Positions in Shares and Underlying Shares

As at 30 June 2005, 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 ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Management Discussion and Analysis

During the period, no options were granted, exercised or cancelled or lapsed under the 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 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.

Directors' Interests in Contracts

No director had a material beneficial interest, whether directly or indirectly, in any contract of significance to the business of the Company to which the Company was a party during the period under review.

Substantial Shareholders

As at 30 June 2005, 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	Number of shares held	Percentage of total shares in issue as at 30 June 2005
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

Notes:

- (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.
- (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 Yung 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.

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 (“Corporate Governance Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) throughout the period.

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. During the period under review, none of the directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not in compliance with 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 2005.

Condensed Interim Financial Statements

Condensed Income Statement

For the six months ended 30 June 2005

	Notes	Six months ended 30 June	
		2005	2004
		(unaudited) HK\$	(unaudited) HK\$
Turnover	3	238,926	277,942
Administrative and other operating expenses		(1,673,634)	(3,607,367)
Loss from operating activities before taxation	4	(1,434,708)	(3,329,425)
Taxation	5	–	–
Net loss attributable to shareholders		(1,434,708)	(3,329,425)
Loss per share			
Basic	6	(0.399) cent	(0.925) 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 2005

	Notes	30 June 2005 (unaudited) HK\$	31 December 2004 (audited) HK\$
Non-Current Assets			
Fixed assets		11,529	113,288
Available-for-sale investments		14,500,000	15,000,000
Loans and receivables		6,000,000	6,000,000
		20,511,529	21,113,288
Current Assets			
Financial assets at fair value through profit and loss		1,890,960	2,538,560
Sundry deposits, prepayments and other receivables		410,514	863,323
Cash and cash equivalents		5,675,577	5,351,924
		7,977,051	8,753,807
Current Liabilities			
Sundry payables and accruals		268,569	212,376
		7,708,482	8,541,431
Net Current Assets		28,220,011	29,654,719
Net Assets		28,220,011	29,654,719
Capital and Reserves			
Share capital	7	7,200,000	7,200,000
Reserves		21,020,011	22,454,719
		28,220,011	29,654,719
Net Asset Value Per Share	8	0.078	0.082

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 2005

	Share capital HK\$	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 January 2004	7,200,000	50,294,617	(21,697,062)	35,797,555
Loss for the period	–	–	(3,329,425)	(3,329,425)
At 30 June 2004	<u>7,200,000</u>	<u>50,294,617</u>	<u>(25,026,487)</u>	<u>32,468,130</u>
At 1 January 2005	7,200,000	50,294,617	(27,839,898)	29,654,719
Loss for the period	–	–	(1,434,708)	(1,434,708)
At 30 June 2005	<u>7,200,000</u>	<u>50,294,617</u>	<u>(29,274,606)</u>	<u>28,220,011</u>

Condensed Interim Financial Statements

Condensed Cash Flow Statement

For the six months ended 30 June 2005

	Six months ended 30 June	
	2005 (unaudited) HK\$	2004 (unaudited) HK\$
Net cash used in operating activities	(200,347)	(743,485)
Net cash from investing activities	524,000	4,548,225
Net increase in cash and cash equivalents	323,653	3,804,740
Cash and cash equivalents at 1 January 2005/2004	5,351,924	2,840,146
Cash and cash equivalents at 30 June 2005/2004	5,675,577	6,644,886
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	5,675,577	6,644,886

Notes to Condensed Financial Statements

1. **Basis of Preparation**

The condensed interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Listing Rules and The Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”)

2. **Principal Accounting Policies**

The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Company has applied, for the first time, the new Hong Kong Financial Reporting Standards (the “HKFRS(s)”), Hong Kong Accounting Standards (the “HKAS(s)”) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005.

The adoption of these new HKFRSs has had no material effect on the results and financial position of the Company, both for the current and prior period.

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in the accounting policy for recognition, measurement, and disclosure of financial instrument. For and up to the year ended 31 December 2004, investments of the Company were classified into trading securities, non-trading securities and convertible loans receivable. In accordance with the provision of HKAS 39, the investments have been re-classified into financial assets at fair value through profit and loss, available-for-sale investments, and loans and receivables respectively. The classification depends on the purpose for which the investments were held. Available-for-sale investments are measured at fair value and loans and receivables are measured by amortized cost where the carrying amount of the asset is computed by discounting the future cash flows to the present value using the original effective interest rate.

Notes to Condensed Financial Statements

3. Turnover and Revenue

	Six months ended 30 June	
	2005 HK\$	2004 HK\$
Turnover		
Dividend Income	899	380
Interest on loans and receivables	238,027	277,562
Total Revenue	238,926	277,942

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.

4. Loss from Operating Activities Before Taxation

Loss from operating activities before taxation is stated after charging:

	Six months ended 30 June	
	2005 HK\$	2004 HK\$
Depreciation of fixed assets	61,928	88,489
Investment management fee	180,000	241,487
Loss on disposal of fixed assets	16,461	—
Net unrealized holding losses from financial assets at fair value through profit and loss	647,600	2,826,655
Staff costs	172,800	—

5. 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 prior period.

No provision for deferred tax has been made as the Company did not have any significant unprovided deferred taxation as at 30 June 2005 and 31 December 2004.

Notes to Condensed Financial Statements

6. Loss Per Share

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$1,435,000 (2004: approximately HK\$3,329,000) and on the 360,000,000 shares in issue (2004: 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.

7. Share Capital

	30 June 2005 HK\$	31 December 2004 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.

During the period ended 30 June 2005, no options were granted, exercised or cancelled under the Scheme.

Notes to Condensed Financial Statements

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 2005 of HK\$28,220,011 (31 December 2004: HK\$29,654,719) and 360,000,000 ordinary shares in issue as at that date (31 December 2004: 360,000,000 shares).

9. **Approval of Interim Financial Report**

The interim financial report was approved by the Board on 15 September 2005.

By Order of the Board

Chan Chak Paul

Chairman

Hong Kong, 15 September 2005