

Chairman's Statement

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 December 2006, the Company has recorded a turnover of approximately HK\$199,000 (2005: HK\$1,108,000) and a loss attributable to equity holders of approximately HK\$2,575,000 (2005: HK\$2,801,000). The decrease in loss for the year is mainly due to the decrease in unrealised loss of trading securities.

Business Review

For the year ended 31 December 2006, the Company had not made any new investment other than Hong Kong listed securities. The Board will be cautious in making investment decision and hold cash in bank for the time being.

The Company's portfolio of Hong Kong listed securities as at 31 December 2006 consisted of China Elegance (Holdings) Limited, China Mobile Limited, Shougang Concord International Enterprises Company Limited and Shougang Concord Century Holdings Limited. The Company's investments in unlisted companies as at 31 December 2006 had not generated any significant investment return for the year ended 31 December 2006. However, the Board believes that these investments will demonstrate good prospects of medium-term growth in profits and capital appreciation in the future.

As at 31 December 2006, approximately 32% (2005: 8%) of the Company's investments were in a portfolio of Hong Kong listed securities, 46% (2005: 53%) in the equity interests of unlisted companies, and the remaining 22% (2005: 39%) in cash which was deposited with a bank in Hong Kong.

Change of Domicile, Capital Reorganisation and Open Offer

As detailed in last year's annual report, the Company had announced on 12 October 2005 that the Company proposed to:

- (i) Change the domicile of the Company from the Cayman Islands to Bermuda by way of discontinuation in the Cayman Islands and continuation as an exempted company under the laws of Bermuda (the "Change of Domicile");
- (ii) Implement the capital reorganisation (the "Capital Reorganisation"); and
- (iii) Raise additional capital by way of open offer (the "Open Offer").

The Change of Domicile, Capital Reorganisation and Open Offer were completed during the year ended 31 December 2006, details of which are set out in notes 1 and 15 of the accompanying financial statements.

Chairman's Statement

Liquidity, Financial Resources and Funding

For the year under review, the Company generally financed its operations and investment activities by internal resources. As at 31 December 2006, the net asset value of the Company amounted to HK\$31,479,467 (2005: HK\$26,854,148) with net asset value per share of HK\$0.39 (2005: HK\$0.33, restated for the effect of Capital Reorganisation and Open Offer).

The Company continued to maintain a low gearing ratio, calculated on the basis of the Company's total liabilities over total shareholders' funds, of 0.006 as at 31 December 2006 (2005: 0.012).

All the Company's bank and cash equivalents were denominated in Hong Kong dollars as at the balance sheet date. The Board believes that the Company has minimal exposure to foreign exchange risk.

Employees

During the year, the Company did not employ any employees other than the directors of the Company. Total staff costs for the year amounted to HK\$345,600 (2005: HK\$345,600). The Company's remuneration policies are in line with the prevailing market practice.

Charges on the Company's Assets and Contingent Liabilities

As at 31 December 2006, 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 Board believes that the Company is able to further its investment objectives and to make timely investment as well as to capture opportunities when they arise.

Appreciation

On behalf of the Board, I would like to thank all our shareholders for their continued trust and support, and the Investment Manager for their dedicated efforts.

Chan Chak Paul

Chairman

Hong Kong, 14 April 2007