

# Earnest

## Investments Holdings Limited

(Continued into Bermuda with limited liability)

(Stock Code : 339)



*Interim Report* **2008**

Earnest



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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

### **Auditor**

Messrs. RSM Nelson Wheeler

*Certified Public Accountants*

### **Registered Office**

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

### **Principal Place of Business**

Units 801-802

8/F., Ginza Square

565-567 Nathan Road

Kowloon, 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**

Reid Management Limited

Argyle House

41A Cedar Avenue

Hamilton HM 12

Bermuda

### **Branch Registrars**

Tricor Tengis Limited

26/F Tesbury Centre

28 Queen's Road East

Wanchai, Hong Kong

### **Principal Banker**

Hang Seng Bank Limited

# MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Earnest Investments Holdings Limited (the "Company") is pleased to present the unaudited interim financial results for the six months ended 30 June 2008 together with comparative figures for the corresponding period.

## Results

For the six months ended 30 June 2008, the net loss attributable to equity holders was approximately HK\$53.9 million (2007: profit of approximately HK\$36.3 million). The loss was mainly due to the unrealised loss on trading securities.

## Interim Dividend

The Board does not recommend to pay any interim dividend for the six months ended 30 June 2008 (2007: Nil).

## Business Review

During the period under review, the Company had not made any new investment. 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 30 June 2008 consisted of Sinocop Resources (Holdings) Limited (formerly known as "China Elegance (Holdings) Limited"), New Times Group Holdings Limited, Shougang Concord Century Holdings Limited, Shougang Concord International Enterprises Company Limited and APAC Resources Limited.

The Company's investments in unlisted companies had not generated any significant investment return for the period ended 30 June 2008. The Board will closely monitor such investments in unlisted companies and will take appropriate actions if necessary.

As at 30 June 2008, approximately HK\$60.6 million (31 December 2007: HK\$124.3 million) of the Company's investments were in a portfolio of Hong Kong listed securities, HK\$11.8 million (31 December 2007: HK\$11.8 million) in the equity interests of unlisted companies, and approximately HK\$5.9 million (31 December 2007: HK\$7.1 million) 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 2008, the net asset value of the Company was HK\$74,756,903 (31 December 2007: HK\$128,623,583) with net asset value per share of HK\$0.92 (31 December 2007: HK\$1.59).

The Company continued to maintain a low gearing ratio calculated on the basis of the Company's total liabilities over total shareholders' funds of 0.05 as at 30 June 2008 (31 December 2007: 0.11).

All the Company's cash 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 period, the Company did not employ any employees other than the directors of the Company. Total staff cost for the period was HK\$172,800 (2007: HK\$172,800). 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 2008, 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 its existing investments in accordance with the Company's investment objectives. 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.

### **Directors' Interests and Short Positions in Shares and Underlying Shares**

As at 30 June 2008, none of the directors or chief executives 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 (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

# MANAGEMENT DISCUSSION AND ANALYSIS

## Substantial Shareholders

As at 30 June 2008, 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:

<b>Name of shareholder</b>	<b>Number of shares held</b>	<b>Percentage of total in issue as at 30 June 2008</b>
Winsome Worldwide Limited ( <i>note 1</i> )	22,275,000*	27.50%
SIU Kwan ( <i>note 1</i> )	22,275,000#	27.50%
YAU Mei Han	14,051,150*	17.35%
Supreme Zone Investments Limited ( <i>note 2</i> )	11,812,500*	14.58%
KEUNG Kwai Yung ( <i>note 2</i> )	11,812,500#	14.58%

\* Beneficial owner

# Interest of controlled corporation

*Note 1:* The 22,275,000 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 the 22,275,000 shares.

*Note 2:* The 11,812,500 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 the 11,812,500 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 of the Company 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.



# MANAGEMENT DISCUSSION AND ANALYSIS

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

## **Model Code**

The Company has adopted the Model Code as the code of conduct regarding directors’ securities transactions. All directors confirmed that they have complied with the required standards as set out in 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 2008.

On behalf of the Board

**Chan Chak Paul**

*Chairman*

Hong Kong, 12 September 2008

# CONDENSED INTERIM FINANCIAL STATEMENTS

## CONDENSED INCOME STATEMENT

For the six months ended 30 June 2008

		(Unaudited)	
		Six months ended 30 June	
	Note	2008 HK\$	2007 HK\$
<b>Turnover</b>	4	<b>79,125</b>	20,248,883
<b>Revenue</b>	4	<b>79,125</b>	115,073
Realised gains on disposals of financial assets at fair value through profit or loss		–	15,928,710
Net unrealised holding (losses)/gains from financial assets at fair value through profit or loss		<b>(63,696,570)</b>	23,178,680
Administrative and other operating expenses		<b>(914,997)</b>	(943,921)
<b>(Loss)/profit before tax</b>		<b>(64,532,442)</b>	38,278,542
Income tax credit/(expense)	5	<b>10,665,762</b>	(2,010,500)
<b>(Loss)/profit for the period attributable to equity holders of the Company</b>	6	<b>(53,866,680)</b>	36,268,042
Dividend	7	–	–
<b>(Loss)/earnings per share</b>			
Basic	8	<b>(0.665)</b>	0.448



# CONDENSED INTERIM FINANCIAL STATEMENTS

## CONDENSED BALANCE SHEET

As at 30 June 2008

	(Unaudited) 30 June 2008 HK\$	(Audited) 31 December 2007 HK\$
<i>Note</i>		
<b>Non-current assets</b>		
Available-for-sale financial assets	<b>11,800,000</b>	11,800,000
<b>Current assets</b>		
Financial assets at fair value through profit or loss	<b>60,639,500</b>	124,336,070
Prepayments, deposits and other receivables	<b>163,728</b>	63,149
Bank and cash balances	<b>5,941,178</b>	7,057,430
	<b>66,744,406</b>	131,456,649
<b>Current liabilities</b>		
Accruals and other payables	<b>82,000</b>	261,801
<b>Net current assets</b>	<b>66,662,406</b>	131,194,848
<b>Total assets less current liabilities</b>	<b>78,462,406</b>	142,994,848
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>3,705,503</b>	14,371,265
<b>NET ASSETS</b>	<b>74,756,903</b>	128,623,583
<b>Capital and reserves attributable to equity holders of the Company</b>		
Share capital	<b>1,620,000</b>	1,620,000
Reserves	<b>73,136,903</b>	127,003,583
<b>TOTAL EQUITY</b>	<b>74,756,903</b>	128,623,583
<b>Net asset value per share</b>	<b>0.92</b>	1.59

# CONDENSED INTERIM FINANCIAL STATEMENTS

## CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	(Unaudited)				Total equity HK\$
	Share capital HK\$ <i>(note 9)</i>	Share premium account HK\$	Contributed surplus account HK\$	(Accumulated losses)/ retained profits HK\$	
At 1 January 2007	1,620,000	5,760,000	28,040,011	(3,940,544)	31,479,467
Profit for the period	-	-	-	36,268,042	36,268,042
At 30 June 2007	1,620,000	5,760,000	28,040,011	32,327,498	67,747,509
At 1 January 2008	<b>1,620,000</b>	<b>5,760,000</b>	<b>28,040,011</b>	<b>93,203,572</b>	<b>128,623,583</b>
Loss for the period	-	-	-	(53,866,680)	(53,866,680)
At 30 June 2008	<b>1,620,000</b>	<b>5,760,000</b>	<b>28,040,011</b>	<b>39,336,892</b>	<b>74,756,903</b>



# CONDENSED INTERIM FINANCIAL STATEMENTS

## CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$</b>	<b>HK\$</b>
<b>Net cash (used in)/generated from operating activities</b>	<b>(1,116,252)</b>	<b>9,471,978</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,116,252)</b>	<b>9,471,978</b>
<b>Cash and cash equivalents at 1 January</b>	<b>7,057,430</b>	<b>7,046,738</b>
<b>Cash and cash equivalents at 30 June</b>		
Representing bank and cash balances	<b>5,941,178</b>	<b>16,518,716</b>

# NOTES TO CONDENSED FINANCIAL STATEMENTS



## 1. CORPORATE INFORMATION

The Company was continued into Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The address of its principal place of business is Units 801-802, 8/F., Ginza Square, 565-567 Nathan Road, Kowloon, Hong Kong. The Company's shares are listed on the Main Board of the Stock Exchange.

The principal activity of the Company is investment in and trading of listed and unlisted investments.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" which is one of the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 of the Listing Rules.

These condensed financial statements should be read in conjunction with the 2007 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the 2007 annual financial statements.



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 3. CHANGES IN ACCOUNTING POLICIES

In the current period, the Company has adopted all the new and revised HKFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Company's accounting policies and amounts reported for the current period and prior periods.

The Company has not applied the new HKFRSs that have been issued but are not yet effective. The Company has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 4. REVENUE AND TURNOVER

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Dividend income from trading securities listed in Hong Kong	<b>49,040</b>	26,234
Bank interest income	<b>30,085</b>	88,839
Revenue	<b>79,125</b>	115,073
Proceeds from disposals of financial assets at fair value through profit or loss	–	20,133,810
Turnover	<b>79,125</b>	20,248,883

# NOTES TO CONDENSED FINANCIAL STATEMENTS

## 5. INCOME TAX (CREDIT)/EXPENSE

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$</b>	HK\$
Current tax-Hong Kong Profits Tax		
Provision for the period	–	2,010,500
Deferred tax	<b>(10,665,762)</b>	–
Income tax (credit)/expense	<b>(10,665,762)</b>	2,010,500

No provision for Hong Kong Profits Tax has been made as the Company has no assessable profits for the period. The amount provided for the six months ended 30 June 2007 was calculated at 17.5% based on the assessable profits for that period.

Deferred tax has been provided at a rate of 16.5% (2007: Nil) on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits, and is accounted for using the balance sheet liability method.



## NOTES TO CONDENSED FINANCIAL STATEMENTS

### 6. (LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(Loss)/profit for the period attributable to equity holders of the Company is stated after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2008	2007
	HK\$	HK\$
Investment management fee	180,000	180,000
Total staff costs	172,800	172,800

### 7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).

### 8. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share attributable to equity holders of the Company is based on the (loss)/profit for the period attributable to equity holders of the Company of HK\$53,866,680 (2007: profit of HK\$36,268,042) and the number of ordinary shares of 81,000,000 (2007: 81,000,000) in issue during the period.

No diluted (loss)/earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2008 and 2007.

# NOTES TO CONDENSED FINANCIAL STATEMENTS

## 9. SHARE CAPITAL

	<b>(Unaudited)</b> <b>30 June</b> <b>2008</b> <b>HK\$</b>	(Audited) 31 December 2007 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each	<b>20,000,000</b>	20,000,000
Issued and fully paid:		
81,000,000 ordinary shares of HK\$0.02 each	<b>1,620,000</b>	1,620,000

The Company's share option scheme (the "Scheme") was approved by shareholders at the annual general meeting held on 26 May 2006 (the "Adoption Date"). The Scheme constitutes a share option scheme governed by Chapter 17 of the Listing Rules. The Scheme is valid and effective for a period of 10 years commencing on the Adoption Date and the purpose of the Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to participants.

During the six months ended 30 June 2008 and 2007, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 30 June 2008 and 31 December 2007. Save for the Scheme, at no time during the period was the Company a party to any arrangements 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.





## NOTES TO CONDENSED FINANCIAL STATEMENTS

### **10. NET ASSET VALUE PER SHARE**

The calculation of the net asset value per share is based on the net assets of the Company as at 30 June 2008 of HK\$74,756,903 (31 December 2007: HK\$128,623,583) and the number of ordinary shares of 81,000,000 (31 December 2007: 81,000,000) in issue as at that date.

### **11. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the current period's presentation. In prior periods, the cost of financial assets at fair value through profit or loss disposed of was presented as "cost of sales" on the face of the condensed income statement. In the current period, the Company revised the presentation in order to conform to the market practices. The proceeds from disposals of financial assets at fair value through profit or loss are offset against the cost of financial assets at fair value through profit or loss and presented as a separate item on the face of the condensed income statement.

### **12. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The interim financial statements were approved by the Board of Directors on 12 September 2008.