

Earnest

Investments Holdings Limited

(Continued into Bermuda with limited liability)

(stock code:339)

interim report 09



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. CHAN Chak Paul

Mr. NGAI Wah Sang

Mr. WANG Daming

Independent Non-executive Directors

Mr. CHAN Francis Ping Kuen

Mr. Benny LUI

Mr. TAN Yee Boon

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. CHAN Francis Ping Kuen

Mr. Benny LUI

Mr. TAN Yee Boon

Principal Registrars

Appleby Management (Bermuda) Limited

Argyle House

41A Cedar Avenue

PO Box HM 1179

Hamilton HM12

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 2009 together with comparative figures for the corresponding period in 2008.

Results

For the six months ended 30 June 2009, the Company's unaudited net profit attributable to equity holders was approximately HK\$25.3 million (2008: loss of HK\$53.9 million), and the basic earnings per share was HK\$0.312 (2008: loss per share of HK\$0.665). The profit recorded during the period was mainly due to the increase in realised gain on trading securities and unrealised holding gains from Hong Kong listed securities.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: 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 take up investment opportunities when they arise.

The Company's portfolio of Hong Kong listed securities as at 30 June 2009 consisted of Sinocop Resources (Holdings) Limited, New Times Energy Corporation Limited, Shougang Concord Century Holdings Limited, Shougang Concord International Enterprises Company Limited and APAC Resources Limited.

During the period, the Company sold an unlisted investment engaged in business management consulting services at HK\$2 million. The Board will monitor and take appropriate measures on the remaining investments in unlisted companies.

As at 30 June 2009, 83% (31 December 2008: 63%) of the Company's total investments were in a portfolio of Hong Kong listed securities, 3% (31 December 2008: 17%) in the equity interests of unlisted companies, 2% (31 December 2008: 4%) in other assets, and 12% (31 December 2008: 16%) in cash which was deposited with a bank in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Liquidity and Financial Resources

For the period under review, the Company generally financed its operations and investment activities by internal resources. As at 30 June 2009, the net asset value of the Company was HK\$50,242,673 (31 December 2008: HK\$24,942,088) with net asset value per share of HK\$0.62 (31 December 2008: HK\$0.31).

The Company has no significant liabilities. The gearing ratio of the Company, calculated on the basis of the Company's total liabilities over total shareholders' funds, is 0.011 as at 30 June 2009 (31 December 2008: 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 was HK\$172,800 (2008: 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 2009, there were no charges on the Company's assets and the Company did not have any significant contingent liabilities.

Prospects

The Board will manage its existing investments in accordance with the Company's investment objectives, and will continue to identify and capture investment opportunities as and when they arise.

Share Option Scheme

The Company's share option scheme (the "Scheme") was approved by shareholders on 26 May 2006. The Scheme constitutes a share option scheme governed by Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

During the period, no option was granted, exercised, cancelled, or lapsed under the Scheme and there was no outstanding option as at 30 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Interests in Shares and Rights to Acquire Shares

As at 30 June 2009, no share option was granted to directors under the Scheme.

As at 30 June 2009, 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 (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Substantial Shareholders

As at 30 June 2009, 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 of shareholder	Number of shares held	Percentage of total in issue as at 30 June 2009
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	14,051,250 *	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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 Listing Rules throughout the period.

Model Code

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions by the directors. All directors have confirmed in writing that they have complied with the required standards as set out in the Model Code throughout the period.

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. CHAN Francis Ping Kuen, Mr. Benny LUI and Mr. TAN Yee Boon. The committee had reviewed the Company’s unaudited condensed interim financial statements for the six months ended 30 June 2009.

INDEPENDENT REVIEW REPORT

RSM Nelson Wheeler

中瑞岳華(香港)會計師事務所

Certified Public Accountants

TO THE BOARD OF DIRECTORS OF EARNEST INVESTMENTS HOLDINGS LIMITED

(Continued into Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 9 to 18 which comprises the condensed statement of financial position of the Company as at 30 June 2009 and the related condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-month period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

INDEPENDENT REVIEW REPORT

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

RSM Nelson Wheeler

Certified Public Accountants

Hong Kong

14 September 2009

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

		(Unaudited)	
		Six months ended 30 June	
	Note	2009 HK\$	2008 HK\$
Turnover	4	3,220,607	79,125
Revenue	4	2,607	79,125
Realised gains on disposals of financial assets at fair value through profit or loss		897,750	–
Realised loss on disposals of available-for-sale financial assets		(800,000)	–
Net unrealised holding gains/(losses) from financial assets at fair value through profit or loss		26,624,035	(63,696,570)
Administrative and other operating expenses		(905,708)	(914,997)
Profit/(loss) before tax		25,818,684	(64,532,442)
Income tax (expense)/credit	5	(518,099)	10,665,762
Profit/(loss) for the period attributable to equity holders of the Company	6	25,300,585	(53,866,680)
Other comprehensive income for the period, net of tax		–	–
Total comprehensive income for the period attributable to equity holders of the Company		25,300,585	(53,866,680)
Dividend	7	–	–
Earnings/(loss) per share			
Basic	8	0.312	(0.665)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2009

		(Unaudited) 30 June 2009 HK\$	(Audited) 31 December 2008 HK\$
	<i>Note</i>		
Non-current assets			
Available-for-sale financial assets		1,350,000	4,150,000
Current assets			
Financial assets at fair value through profit or loss		42,040,490	15,736,705
Prepayments, deposits and other receivables		166,145	238,540
Current tax assets		970,784	970,784
Bank and cash balances		6,282,523	4,038,259
		49,459,942	20,984,288
Current liabilities			
Accruals and other payables		49,170	192,200
Net current assets			
		49,410,772	20,792,088
Total assets less current liabilities			
		50,760,772	24,942,088
Non-current liabilities			
Deferred tax liabilities		518,099	–
NET ASSETS			
		50,242,673	24,942,088
Capital and reserves attributable to equity holders of the Company			
Share capital	9	1,620,000	1,620,000
Reserves		48,622,673	23,322,088
TOTAL EQUITY			
		50,242,673	24,942,088
Net asset value per share	10	0.62	0.31

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

(Unaudited)

	Share capital HK\$ (note 9)	Share premium account HK\$	Contributed surplus account HK\$	(Accumulated losses)/ retained profits HK\$	Total equity HK\$
At 1 January 2008	1,620,000	5,760,000	28,040,011	93,203,572	128,623,583
Total comprehensive income for the period	-	-	-	(53,866,680)	(53,866,680)
At 30 June 2008	1,620,000	5,760,000	28,040,011	39,336,892	74,756,903
At 1 January 2009	1,620,000	5,760,000	28,040,011	(10,477,923)	24,942,088
Total comprehensive income for the period	-	-	-	25,300,585	25,300,585
At 30 June 2009	1,620,000	5,760,000	28,040,011	14,822,662	50,242,673

CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Net cash generated from/(used in) operating activities	2,244,264	(1,116,252)
Net increase/(decrease) in cash and cash equivalents	2,244,264	(1,116,252)
Cash and cash equivalents at 1 January	4,038,259	7,057,430
Cash and cash equivalents at 30 June		
Representing bank and cash balances	6,282,523	5,941,178

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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 of Hong Kong Limited.

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

2. BASIS OF PREPARATION

These unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 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 disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These condensed financial statements should be read in conjunction with the 2008 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 2008 annual financial statements except as stated in note 3 below.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Company has adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting period beginning on 1 January 2009. HKFRSs comprise Hong Kong Financial Reporting Standards; HKASs; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Company's accounting policies, presentation of the Company's financial statements and amounts reported for the current period and prior years except as stated below.

Presentation of Financial Statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) has been applied retrospectively.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

4. REVENUE AND TURNOVER

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Dividend income from trading securities listed in Hong Kong	2,220	49,040
Bank interest income	387	30,085
Revenue	2,607	79,125
Proceeds from disposals of available-for-sale financial assets	2,000,000	–
Proceeds from disposals of financial assets at fair value through profit or loss	1,218,000	–
Turnover	3,220,607	79,125

No segment information is presented as all of the turnover and revenue, contribution to operating results, assets and liabilities of the Company are attributable to investment activities which are carried out or originated principally in Hong Kong and the People's Republic of China.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

5. INCOME TAX EXPENSE/(CREDIT)

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
Deferred tax	518,099	(10,665,762)

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2009 since the Company has sufficient tax losses brought forward to set off against current period's assessable profit. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2008 as the Company had no assessable profit for that period.

Deferred tax has been provided at a rate of 16.5% (2008: 16.5%) 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 profit, and is accounted for using the balance sheet liability method.

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

The Company's profit/(loss) for the period attributable to equity holders of the Company is stated after charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2009	2008
	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 2009 (2008: Nil).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share attributable to equity holders of the Company is based on the profit/(loss) for the period attributable to equity holders of the Company of HK\$25,300,585 (2008: loss of HK\$53,866,680) and the number of ordinary shares of 81,000,000 (2008: 81,000,000) in issue during the period.

No diluted earnings/(loss) per share are presented as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2009 and 2008.

9. SHARE CAPITAL

	(Unaudited) 30 June 2009 HK\$	(Audited) 31 December 2008 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.02 each	20,000,000	20,000,000
Issued and fully paid:		
81,000,000 ordinary shares of HK\$0.02 each	1,620,000	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 2009 and 2008, no option was granted, exercised, cancelled or lapsed under the Scheme and there was no outstanding option as at 30 June 2009 and 2008. 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 THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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 2009 of HK\$50,242,673 (31 December 2008: HK\$24,942,088) and the number of ordinary shares of 81,000,000 (31 December 2008: 81,000,000) in issue as at that date.

11. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed interim financial statements were approved by the Board of Directors on 14 September 2009.