

Report of the Directors

The directors submit herewith their report together with the audited financial statements of Earnest Investments Holdings Limited (the "Company") for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

The Company is an investment company engaged principally in investment and trading of listed and unlisted companies. There was no significant change in its activity during the year. During the year, 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%, and such proposed resolution was approved by the shareholders at the annual general meeting held on 27 May 2005.

No segment information is presented as all of the turnover, 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 PRC.

MAJOR CUSTOMERS AND SUPPLIERS

The Company's turnover is derived from the Company's investments in listed and unlisted equity securities and the disclosure of information regarding customers and suppliers would not be meaningful.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended 31 December 2005 and the state of affairs of the Company as at that date are set out in the financial statements on pages 16 to 40.

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2005 (2004: Nil).

RESERVES

Details of movements in the reserves of the Company during the year are set out on page 17.

Details of the reserves available for distribution to shareholders are set out in note 19 to the financial statements.

FIXED ASSETS

Details of movements in fixed assets of the Company during the year are set out in note 12 to the financial statements.

Report of the Directors

FINANCIAL SUMMARY

The following tables summarise the results, assets and liabilities of the Company for each of the five years ended 31 December 2005:

Results

	Year ended 31 December				
	2005 HK\$	2004 HK\$	2003 HK\$	2002 HK\$	2001 HK\$
Turnover	1,108,358	541,814	1,175,919	1,175,000	1,378,656
Loss before taxation	(2,800,571)	(6,142,836)	(3,813,105)	(2,439,681)	(11,398,966)
Taxation	–	–	–	–	–
Loss for the year attributable to equity holders of the Company	(2,800,571)	(6,142,836)	(3,813,105)	(2,439,681)	(11,398,966)

Assets and liabilities

	As at 31 December				
	2005 HK\$	2004 HK\$	2003 HK\$	2002 HK\$	2001 HK\$
Total assets	27,187,819	29,867,095	36,163,300	40,080,667	42,324,849
Total liabilities	(333,671)	(212,376)	(365,745)	(470,007)	(1,444,508)
Net assets	26,854,148	29,654,719	35,797,555	39,610,660	40,880,341

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options of the Company are set out in notes 17 and 18 to the financial statements respectively.

Report of the Directors

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Existing Scheme”) approved by the shareholders of the Company on 7 July 2000, for the purpose of providing incentives and rewards to eligible participants who contributed to the Company’s operation. Eligible participants include executive directors and full-time employees of the Company. The Existing Scheme remains effective for ten years from 7 July 2000.

On 23 August 2001, The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) announced amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), which came into effect on 1 September 2001. In accordance with the amendments to the Listing Rules and the announcement of the Stock Exchange, the Company may have to alter the terms of the existing share option scheme, or to adopt a new share option scheme before further options are granted. In response to the amendments, the Board proposes to adopt a new share option scheme and terminate the Existing Scheme. Details of which will be included in a circular that will be sent to the shareholders in due course for considering the relevant resolution in the forthcoming annual general meeting.

During the year, no option was granted, exercised or cancelled under the Existing Scheme. As at 31 December 2005, there were no outstanding share options.

DIRECTORS

The directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Mr. CHAN Chak Paul (*Chairman*)
Mr. NGAI Wah Sang (*Chief Executive Officer*)
Mr. WANG Daming

Independent Non-executive Directors

Mr. Benny LUI
Mr. Oliver Yeung Kam LAI
Mr. CHAN Francis Ping Kuen (Appointed on 7 February 2005)
Ms. CHAN Bow Ye, Bonita (Resigned on 7 February 2005)

In accordance with Section 99 of the Company’s Bye-Laws, Mr. CHAN Chak Paul and Mr. NGAI Wah Sang will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND RIGHTS TO ACQUIRE SHARES

As at 31 December 2005, no share options were granted to directors under the Existing Scheme.

As at 31 December 2005, 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 Companies.

At no time during the year 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS

As at 31 December 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 31 December 2005
Winsome Worldwide Limited (note 1)	74,000,000*	20.56%
SIU Kwan (note 1)	74,000,000#	20.56%
YAU Mei Han	62,450,000*	17.35%
Supreme Zone Investments Limited (note 2)	52,500,000*	14.58%
KEUNG Kwai Yung (note 2)	52,500,000#	14.58%
Benluck Company Limited	35,900,000*	9.97%

* Beneficial owner

Interest of controlled corporation

Notes:

- (1) The 74,000,000 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 74,000,000 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 year, the Company neither purchased, sold nor redeemed any of its own listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Board, as at the date of this annual report, there is sufficient public float, as not less than 25% of the Company's issued shares are held by the public.

EVENTS AFTER THE BALANCE SHEET DATE

The Company announced on 12 October 2005 that the Company proposed for a Change of Domicile, a Capital Reorganisation and an Open Offer. All of which had become effective after the balance sheet date. Details of the above are set out in Notes 1, 17 and 19 to the financial statements respectively.

AUDITORS

The financial statements for the two financial years ended 31 December 2003 and 2002 were audited by Messrs. HLB Hodgson Impey Cheng. The financial statements for the two financial years ended 31 December 2005 and 2004 were audited by Messrs. RSM Nelson Wheeler.

A resolution to re-appoint the retiring auditors, Messrs. RSM Nelson Wheeler, will be put at the forthcoming annual general meeting.

On behalf of the Board

Chan Chak Paul

Chairman

Hong Kong, 24 April 2006