



PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司

(Incorporated in Bermuda with limited liability)

Stock Code : 310

Interim Report

2007



Unaudited Interim Results

The Board of Directors (the “Board”) of Prosperity Investment Holdings Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 (the “Period”), together with the comparative figures for the corresponding period in 2006, as follows:

Condensed Consolidated Income Statement

	Notes	For the six months ended 30 June	
		2007 Unaudited HK\$	2006 Unaudited HK\$
Turnover	2	74,540,705	64,823,581
Cost of sales		(65,946,475)	(57,059,914)
Gross profit		8,594,230	7,763,667
Other revenues		12,221,345	11,049,533
Investment management fee		(924,000)	(1,413,513)
Staff costs		(626,725)	(346,163)
Other operating expenses		(3,702,393)	(6,052,425)
Profit from operations	3	15,562,457	11,001,099
Finance costs		(5,274)	(4,867)
Gain on disposal of an investment		—	20,162,090
Write back of receivable arising from the disposal of an associate written off in previous years		30,680,100	—
Dividend income from an associate	4	57,500,000	—
Profit before taxation		103,737,283	31,158,322
Income tax expense	5	—	—
Profit attributable to shareholders		103,737,283	31,158,322
Earnings per share			
— as originally reported		N/A	7.21 cents
— including effects of Open Offer (restated for 2006)	6	18.00 cents	5.48 cents

Condensed Consolidated Balance Sheet

		30 June 2007	31 December 2006
	Notes	Unaudited HK\$	Audited HK\$
Non-current assets			
Interests in associates		9,012,496	24,032,496
Available-for-sale financial assets		195,994,111	112,237,267
Other asset		150,000	150,000
		205,156,607	136,419,763
Current assets			
Available-for-sale financial assets		—	19,766,204
Financial assets at fair value through profit or loss		2,245,650	7,928,054
Other receivables	7	14,076,457	21,050,850
Cash with brokers		6,934,649	7,206,335
Cash and bank balances		121,881,074	69,125,776
		145,137,830	125,077,219
Non-current assets held for sale		—	2,773,428
		145,137,830	127,850,647
Less: Current liabilities			
Other payables	8	220,500	314,509
Due to Sinox Fund Management Limited		150,590	143,145
Provision for taxation		1,232,033	14,718,061
		1,603,123	15,175,715
Net current assets		143,534,707	112,674,932
NET ASSETS		348,691,314	249,094,695
Capital and Reserves			
Share Capital	9	4,319,520	4,319,520
Reserves	10	344,371,794	244,775,175
SHAREHOLDERS' FUNDS		348,691,314	249,094,695
Net asset value per share	11	0.81	0.58

Condensed Consolidated Statement of Changes in Equity

	Reserves						
	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Changes in fair value of available-for-sale financial assets	Retained earnings	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2006	43,195,200	169,564,710	86,752,510	131,919	3,644,188	(68,926,389)	234,362,138
Increase in fair value of available-for-sale financial assets	—	—	—	—	5,058,769	—	5,058,769
Credit arised on capital reduction set off against accumulated losses of the Company and remaining balance transferred to contributed surplus account	(38,875,680)	—	13,630,807	—	—	25,244,873	—
Profit for the year	—	—	—	—	—	9,673,788	9,673,788
At 31 December 2006	4,319,520	169,564,710	100,383,317	131,919	8,702,957	(34,007,728)	249,094,695
Realisation of exchange fluctuation reserve on disposal of a jointly controlled entity	—	—	—	(131,919)	—	—	(131,919)
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(4,008,745)	—	(4,008,745)
Profit for the Period	—	—	—	—	—	103,737,283	103,737,283
At 30 June 2007	4,319,520	169,564,710	100,383,317	—	4,694,212	69,729,555	348,691,314

Condensed Consolidated Cash Flow Statement

	For the six months ended	
	30 June	
	2007	2006
	Unaudited	Unaudited
	HK\$	HK\$
NET CASH GENERATED FROM/(USED IN):		
OPERATING ACTIVITIES	106,051,644	22,819,790
INVESTING ACTIVITIES	(53,568,032)	(32,569,267)
FINANCING ACTIVITIES	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	52,483,612	(9,749,477)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	76,332,111	64,109,020
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	128,815,723	54,359,543
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash with brokers	6,934,649	14,060,374
Cash and bank balances	121,881,074	40,299,169
	128,815,723	54,359,543

Notes to the Condensed Financial Statements

For the six months ended 30 June 2007

1. Basis of presentation and accounting policies

The condensed financial statements of the Group are prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Accounting Standard (the “HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and are in compliance with the Hong Kong Financial Reporting Standards (the “HKFRSs”).

The accounting policies adopted in these condensed financial statements are consistent with those followed in the preparation of the Group’s audited annual financial statements for the year ended 31 December 2006.

2. Turnover and segmental information

An analysis of the Group’s unaudited turnover and profit from operations by principal activity and geographical segment is as follows:

	Turnover for the six months ended 30 June		Profit from operations for the six months ended 30 June	
	2007 HK\$	2006 HK\$	2007 HK\$	2006 HK\$
By geographical segment:				
Dividend income from investment securities and other investments/ financial assets	1,476,930	1,300,962	1,476,930	1,300,962
Proceeds from sale of investment securities and disposal of equity-linked notes	73,063,775	63,522,619	14,085,527	9,700,137
	74,540,705	64,823,581	15,562,457	11,001,099
			Turnover for the six months ended 30 June	
			2007	2006
			HK\$	HK\$
By geographical segment:				
The People’s Republic of China:				
Hong Kong		74,540,705		64,823,581
Other regions		—		—
		74,540,705		64,823,581

Given the nature of the Group’s operations as investment holding and the way in which costs are allocated, it is not considered meaningful to provide geographical analysis of profit from operations.

3. Profit from operations

	For the six months ended 30 June	
	2007	2006
	HK\$	HK\$
Unaudited profit from operations is arrived at after crediting:		
Interest income	2,656,514	2,323,351

4. Dividend income from an associate

At the end of the Period, the Group received a dividend from an associate, Bright Honest Limited, of which the Group's shareholding is 25%. The dividend was received from the distribution of the gain on disposal of the investment properties of the associate's direct subsidiaries.

5. Income tax expense

Income tax expense in the unaudited consolidated income statement represents:

	For the six months ended 30 June	
	2007	2006
	HK\$	HK\$
Company and subsidiaries		
Hong Kong profits tax	—	—
	—	—

Hong Kong profits tax has not been provided as the individual companies comprising the Group do not have assessable profit arising in Hong Kong during the Period.

Taxation of other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

No deferred tax has been provided in the condensed financial statements as there is no material timing difference.

6. Earnings per share

The calculation of the earnings per share is based on the following data:

	For the six months ended	
	30 June	
	2007	2006
	HK\$	HK\$
Profit attributable to shareholders	103,737,283	31,158,322
Weighted average number of ordinary shares		
— originally stated	N/A	431,952,000
— including effects of Open Offer	576,204,163	568,769,376

7. Other receivables

The ageing analysis of the other receivables is as follows:

	30 June	31 December
	2007	2006
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	—	—
Others	14,076,457	21,050,850
	14,076,457	21,050,850

8. Other payables

The ageing analysis of the other payables is as follows:

	30 June	31 December
	2007	2006
	Unaudited	Audited
	HK\$	HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	—	—
Others	220,500	314,509
	220,500	314,509

9. Share capital

	30 June 2007	31 December 2006
	Unaudited HK\$	Audited HK\$
Authorized:		
3,000,000,000 ordinary shares of HK\$0.01 each	30,000,000	30,000,000
Issued and fully paid:		
431,952,000 ordinary shares of HK\$0.01 each	4,319,520	4,319,520

Note:

Pursuant to a special resolution passed at the special general meeting held on 21 June 2007, 215,976,000 shares of HK\$0.01 each in the share capital of the Company were issued on 13 July 2007 by way of an Open Offer to qualifying shareholders on the basis of one open offer share for every two shares held.

10. Reserves

	30 June 2007	31 December 2006
	Unaudited HK\$	Audited HK\$
Share Premium	169,564,710	169,564,710
Contributed surplus	100,383,317	100,383,317
Exchange fluctuation reserve	—	131,919
Changes in fair value of available-for-sale financial assets	4,694,212	8,702,957
Retained earnings/(Accumulated losses)	69,729,555	(34,007,728)
	344,371,794	244,775,175

11. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$348,691,314 (31 December 2006: HK\$249,094,695) and the number of issued and fully paid up shares of 431,952,000 (31 December 2006: 431,952,000) as at 30 June 2007.

12. Comparative figures

Certain comparative figures have been reclassified in order to conform with current period's presentation.

Disclosure pursuant to Rules 13.16 and 13.22 of The Listing Rules

Financial assistance and guarantees given for facilities granted to affiliated companies under Rule 13.16 of the Listing Rules

Details of the financial assistance and guarantees given for facilities granted to affiliated companies by the Group as at 30 June 2007 in aggregate exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules are as follows:

Affiliated Companies	Attributable interest held by the Group	Financial assistance (A)	Guarantees given (B)	Extent of guaranteed facilities utilized	Aggregate of financial assistance and guarantees given (A+B)	Notes
					HK\$'000	
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Halway Development Limited	30.00%	4,830	—	—	4,830	a
Bright Honest Limited	25.00%	—	17,250	—	17,250	b
Loyal Brilliant Limited	22.00%	1,978	—	—	1,978	c
Total		6,808	17,250	—	24,058	d

The combined balance sheet of the above affiliated companies as at 30 June 2007 is as follows:

	HK\$'000
Non-current assets	20,243
Current assets	5,035
Current liabilities	9,355
Net current liabilities	(4,320)
Non-current liabilities	(16,232)
Capital deficits	(309)

Notes:

- a. The financial assistance was made as shareholder's loans to finance the investment made by Halway Development Limited and were interest free, unsecured and not repayable within the next twelve months.
- b. The guarantees were given by the Company for banking facilities granted to Great Fidelity Limited, a direct wholly owned subsidiary of Bright Honest Limited. The liabilities and obligations under the said guarantees are confirmed to be released and discharged by the bank with effect from 26 December 2007.
- c. The financial assistance was made as shareholder's loans to finance the investment made by Loyal Brilliant Limited and were interest free, unsecured and not repayable within the next twelve months.
- d. Aggregated pursuant to Rule 13.16 of the Listing Rules.

Interim Dividend

The Board resolved not to pay an interim dividend for the six months ended 30 June 2007 (2006: Nil).

Review and Outlook

During the Period under review, information in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules and the performance of the investment projects of the Group have not been changed materially since the most recent published annual report.

Pursuant to an ordinary resolution passed at the special general meeting held on 21 June 2007, 215,976,000 share of HK\$0.01 each in the share capital of the Company were issued on 13 July 2007 by way of an Open Offer to qualifying shareholders on the basis of one offer share for every two existing shares held (the "Open Offer").

In view of the recent favourable economic growth and stock market performance, the Group intends to strengthen its financial position by the Open Offer, which will enable the Company to expand its capital base. In addition, the Open Offer allows the qualifying shareholders to maintain their respective pro rata shareholdings in the Company and participate in the future growth and development of the Company. The Directors therefore consider that the Open Offer is in the interests of the Company and the shareholders as a whole. The Board intends to apply the net proceeds for future investment to achieve long-term capital appreciation of its assets primarily through equity and equity-related investments.

The economy of Hong Kong showed a rosy picture with a growth rate of approximately 7% in 2006. Overall improvement in the employment conditions and the increasing of the individual income fuelled fervently the investment sentiment and driving up the trading in the stock market and the demand for the property market.

Looking ahead, the Board believes that the business environment will remain challenging and highly competitive and both the global and Hong Kong economies will continue to be growing steadily.

The Group will continue to identify and pursue any investment opportunities and manage the existing investments in accordance with the Company's investment objective and policy of achieving long term capital appreciation and growth in profits. The Board believes that the Group will continue to evaluate potential investments with a view of gaining high investment returns and yields for our shareholders.

Liquidity and Financial Resources

Operations of the Group are generally financed through internal cash resources. As at 30 June 2007, cash and bank balances of the Group were approximately HK\$129 million. With cash and other current assets of approximately HK\$145 million as at 30 June 2007, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Capital Structure

During the Period, the share capital structure of the Company remained the same as that as at 31 December 2006.

Remuneration Policies

Remuneration policies for the employees and the directors are reviewed by the Group in accordance with the market situation and their performance from time to time. In addition to salary payments, the Company has participated in the Mandatory Provident Fund Scheme (the "MPF Scheme") in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Scheme Authority under the Mandatory Provident Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of their monthly relevant income.

Directors' Interests and Short Positions in the Shares and Underlying Shares

As at 30 June 2007, the interests and short positions of the directors and any of their associates in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the

“SFO”)) as recorded in the register required to be kept by the Company pursuant to 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 contained in the Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Personal* Interests	Family* Interests	Corporate# Interests	Total Interests	Percentage of issued share capital of the Company as at
					30 June 2007
Lam Kwing Wai, Alvin	—	—	310,416,000	310,416,000	71.86%
				(Note)	

* Beneficial owner

+ Interests of spouse

Interests beneficially held by the company itself or through companies controlled by it

Note:

The shares were held by Favor Hero Investments Limited, a company which was wholly owned by Mr. Lam Kwing Wai, Alvin as disclosed in the “Substantial Shareholders” below. Mr. Lam Kwing Wai, Alvin was therefore deemed to be interested in 310,416,000 shares in which Favor Hero Investments Limited had interest.

Out of these 310,416,000 shares, 215,976,000 shares represented deemed interest of Favor Hero Investments Limited under the underwriting agreement dated 9 May 2007 with the Company, details of which was set out in the circular dated 22 June 2007.

Save as disclosed above, as at 30 June 2007, none of the directors nor their associates of the Company had or was deemed to have any interest or short position in the shares or underlying shares of the Company or any of its associated corporations as recorded in the register that required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

Directors’ Rights to Acquire Shares

At no time during the Period was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

Substantial Shareholders

As at 30 June 2007, the following persons had interests and short positions 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:

Long positions in shares of the Company

Name	Personal [*] Interests	Family ⁺ Interests	Corporate [#] Interests	Total Interests	Percentage of issued share capital of the Company as at	
					30 June 2007	Notes
Favor Hero Investments Limited	—	—	310,416,000	310,416,000	71.86%	1
Lam Kwong Wai, Alvin	—	—	310,416,000	310,416,000	71.86%	1
Capital Builder Investments Limited	—	—	38,261,016	38,261,016	8.86%	2
Mak Wai Chun	—	—	38,261,016	38,261,016	8.86%	2
Aimstar Investments Limited	—	—	34,000,000	34,000,000	7.87%	3
Sze Sun Sun, Tony	—	—	34,000,000	34,000,000	7.87%	3
Cosmopolitan International Holdings Limited	—	—	29,092,084	29,092,084	6.74%	

^{*} Beneficial owner

⁺ Interests of spouse

[#] Interests beneficially held by the company itself or through companies controlled by it

Notes:

1. Favor Hero Investments Limited was wholly-owned by Mr. Lam Kwong Wai, Alvin. Mr. Lam Kwong Wai, Alvin was therefore deemed to be interested in 310,416,000 shares in which Favor Hero Investments Limited had interest.

Out of these 310,416,000 shares, 215,976,000 shares represented deemed interest of Favor Hero Investments Limited under the underwriting agreement dated 9 May 2007 with the Company, details of which was set out in the circular dated 22 June 2007.

2. International Securities Investments Limited held 38,261,016 shares and was a wholly-owned subsidiary of Capital Builder Investments Limited which in turn was wholly-owned by Ms. Mak Wai Chun. Accordingly, Capital Builder Investments Limited and Ms. Mak Wai Chun were all deemed to be interested in the 38,261,016 shares in which International Securities Investments Limited had interest.
3. Aimstar Investments Limited was wholly-owned by Mr. Sze Sun Sun, Tony. Mr. Sze Sun Sun, Tony was therefore deemed to be interested in 34,000,000 shares in which Aimstar Investments Limited had interest.

Save as disclosed above, as at 30 June 2007, the directors were not aware of any other person who had an interest or short position in the shares or underlying shares of the Company as recorded in the register that required to be kept by the Company pursuant to Section 336 of the SFO and/or were directly or indirectly interested in 5% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Purchase, Sale or Redemption of Shares of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Period.

Corporate Governance

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules with the exception of code A.2.1 that an individual chief executive officer is not appointed during the six months ended 30 June 2007.

Though the Company does not appoint an individual chief executive officer, the role of chairman and chief executive officer is separated and not performed by the same individual. Besides, the Company is being managed by its investment manager, Sinox Fund Management Limited, pursuant to the terms of the written management agreement. The division of responsibilities between the chairman and chief executive officer is clearly established and set out in writing. The Company considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer of the Company is not necessary.

The Audit Committee comprises three independent non-executive directors namely Mr. Chan Siu Wing, Raymond, Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements and the interim report for the six months ended 30 June 2007.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the codes of conduct regarding securities transactions by directors and by relevant employees (as defined in the Code).

On specific enquiries made, all directors have confirmed that, in respect of the six months ended 30 June 2007, they have complied with the required standard as set out in the Model Code.

Board of Directors

As at the date of this report, the Board of the Company comprises three executive directors, namely Mr. Cheuk Yuk Lung, Miss Tsui Yee Ni and Mr. Lam Kwing Wai, Alvin and three independent non-executive directors, namely Mr. Chan Siu Wing, Raymond, Mr. Yan Mou Keung, Ronald and Mr. Chan Fai Yue, Leo.

On behalf of the Board
CHEUK Yuk Lung
Chairman

Hong Kong, 24 September 2007