



**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  
**2008**



## 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 2008 (the “Period”), together with the comparative figures for the corresponding period in 2007, as follows:

### Condensed Consolidated Income Statement

	<i>Note</i>	For the six months ended 30 June	
		2008 Unaudited HK\$	2007 Unaudited HK\$ (restated)
<b>Revenue</b>	2	<b>2,346,426</b>	4,109,068
Other revenue	2	<b>5,221,379</b>	42,901,445
Net gain on disposal of available-for-sale financial assets		<b>1,093,195</b>	3,306,060
Net gain on disposal of derivative financial instruments		<b>202,800</b>	1,179,102
		<b>8,863,800</b>	51,495,675
Finance costs		<b>(3,220)</b>	(5,274)
Staff costs		<b>(724,183)</b>	(626,725)
Investment management fees		<b>(3,900,000)</b>	(924,000)
Other operating expenses		<b>(3,156,940)</b>	(3,702,393)
Share of profits less losses of associates	3	—	57,500,000
Profit before taxation		<b>1,079,457</b>	103,737,283
Income tax expense	4	—	—
<b>Profit for the Period</b>		<b>1,079,457</b>	103,737,283
<b>Earnings per share</b>	5		
— Basic		<b>0.01</b>	1.62
— Diluted		<b>0.01</b>	1.62

## Condensed Consolidated Balance Sheet

		<b>30 June 2008 Unaudited</b>	31 December 2007 Audited
	<i>Notes</i>	<b>HK\$</b>	<i>HK\$</i>
<b>Non-current assets</b>			
Interests in associates		<b>11,026,579</b>	11,136,579
Available-for-sale financial assets		<b>286,873,418</b>	310,757,986
Other asset		<b>150,000</b>	150,000
		<b>298,049,997</b>	322,044,565
<b>Current assets</b>			
Available-for-sale financial assets		<b>54,428,400</b>	47,935,200
Derivative financial instruments		—	1,181,631
Financial assets at fair value through profit or loss		<b>895,000</b>	2,676,600
Other receivables	6	<b>44,905,982</b>	50,558,439
Cash with brokers		<b>15,442,992</b>	10,008,519
Cash and bank balances		<b>80,764,270</b>	119,952,702
		<b>196,436,644</b>	232,313,091
<b>Less: Current liabilities</b>			
Other payables	7	<b>9,214</b>	1,789,061
Due to Sinox Fund Management Limited		<b>647,504</b>	648,821
Provision for taxation		<b>4,057,860</b>	4,057,860
		<b>4,714,578</b>	6,495,742
<b>Net current assets</b>		<b>191,722,066</b>	225,817,349
<b>NET ASSETS</b>		<b>489,772,063</b>	547,861,914
<b>Capital and Reserves</b>			
Share Capital	8	<b>10,468,920</b>	6,479,280
Reserves	9	<b>479,303,143</b>	541,382,634
<b>SHAREHOLDERS' FUNDS</b>		<b>489,772,063</b>	547,861,914
<b>Net asset value per share</b>	10	<b>4.68</b>	0.85

## Condensed Consolidated Statement of Changes in Equity

	Reserve							Total
	Share capital	Share premium	Share option reserve	Contributed surplus	Exchange fluctuation reserve	Changes in fair value of Available-for-sale financial assets	(Accumulated losses)/ Retained profits	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2007	4,319,520	169,564,710	—	100,383,317	131,919	8,702,957	(34,007,728)	249,094,695
Increase in fair value of available-for-sale financial assets	—	—	—	—	—	97,107,576	—	97,107,576
Realisation of change in fair value for disposal of available-for-sale financial assets	—	—	—	—	—	(4,484,111)	—	(4,484,111)
Capital and Premium arise from open offer	2,159,760	—	—	26,997,000	—	—	—	29,156,760
Equity-settled share-based payment	—	—	26,880,000	—	—	—	—	26,880,000
Realisation of exchange fluctuation reserve on disposal of an investment	—	—	—	—	(131,919)	—	—	(131,919)
Profit for the year	—	—	—	—	—	—	150,238,913	150,238,913
At 31 December 2007	6,479,280	169,564,710	26,880,000	127,380,317	—	101,326,422	116,231,185	547,861,914
Decrease in fair value of available-for-sale financial assets	—	—	—	—	—	(88,437,801)	—	(88,437,801)
Exercise of share option	500,000	9,500,000	(15,627,907)	—	—	—	—	(5,627,907)
Capital and Premium arise from open offer	3,489,640	—	—	31,406,760	—	—	—	34,896,400
Profit for the Period	—	—	—	—	—	—	1,079,457	1,079,457
At 30 June 2008	10,468,920	179,064,710	11,252,093	158,787,077	—	12,888,621	117,310,642	489,772,063

## Condensed Consolidated Cash Flow Statement

	For the six months ended 30 June	
	2008	2007
	Unaudited	Unaudited
	<i>HK\$</i>	<i>HK\$</i>
<b>NET CASH GENERATED FROM/(USED IN):</b>		
<b>OPERATING ACTIVITIES</b>	<b>991,572</b>	106,051,644
<b>INVESTING ACTIVITIES</b>	<b>(79,641,931)</b>	(53,568,032)
<b>FINANCING ACTIVITIES</b>	<b>44,896,400</b>	—
<b>NET (DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(33,753,959)</b>	52,483,612
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>129,961,221</b>	76,332,111
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>96,207,262</b>	128,815,723
<b>ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS</b>		
Cash with brokers	<b>15,442,992</b>	6,934,649
Cash and bank balances	<b>80,764,270</b>	121,881,074
	<b>96,207,262</b>	128,815,723

## Notes to the Condensed Financial Statements

For the six months ended 30 June 2008

### 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 2007.

### 2. Revenue and segmental information

	For the six months ended	
	30 June	
	2008	2007
	Unaudited	Unaudited
	HK\$	HK\$
Revenue		
Dividend income from investment securities and other investments/financial assets, listed	2,164,795	1,476,930
Net gain on financial assets at fair value through profit or loss	181,631	2,632,138
	<b>2,346,426</b>	4,109,068
Other revenue		
Interest on bank deposits	4,838,185	5,628,901
Gain on future trading	—	672,777
Other income	383,194	3,599,767
Bad debt recovery (Note a)	—	33,000,000
	<b>5,221,379</b>	42,901,445

Note:

- (a) Bad debt recovery represents the recovery of the balance of consideration in relation to the disposal of an associated company. A provision for non-recoverable amount that had been made in previous year was written back accordingly.
- (b) No business and geographical segment information are presented as over 90% of the Group's revenue was derived from the sales of equity-related investments and dividend received which were transacted in Hong Kong.

### 3. Share of profits less losses of associates

During the Period, no share of profits less losses of associates is recorded. During the six months ended 30 June 2007, the Group received a dividend from an associate, being distribution of the gain on disposal of the investment properties of the associate's direct subsidiaries.

### 4. Income tax expense

Income tax expense in the unaudited consolidated income statement represents:

	For the six months ended 30 June	
	2008 Unaudited HK\$	2007 Unaudited 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.

## 5. Earnings per share

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

	For the six months ended	
	30 June	
	2008	2007
	Unaudited	Unaudited
	HK\$	HK\$
<b>Earnings</b>		
Earnings for the purposes of both basic and diluted earnings per share	<b>1,079,457</b>	103,737,283
<b>Number of shares</b>		(restated)
Weighted average number of shares for the purpose of basic earnings per share	<b>97,295,644</b>	64,039,271
Effect of dilutive potential shares — Options	<b>2,630,769</b>	—
Weighted average number of shares for the purpose of diluted earnings per share	<b>99,926,413</b>	64,039,271

The weighted average number of shares for the purpose of basic earnings per share has been adjusted for the effect of open offer and share consolidation during the Period.



## 6. Other receivables

The ageing analysis of the other receivables is as follows:

	<b>30 June 2008 Unaudited HK\$</b>	31 December 2007 Audited HK\$
Within 3 months	—	20,350,000
3 to 6 months	<b>20,345,000</b>	—
6 to 12 months	<b>10,500,000</b>	10,000,000
Over 1 year	<b>84,000</b>	102,000
	<b>30,929,000</b>	30,452,000
Others	<b>13,976,982</b>	20,106,439
	<b>44,905,982</b>	50,558,439

## 7. Other payables

The ageing analysis of the other payables is as follows:

	<b>30 June 2008 Unaudited HK\$</b>	31 December 2007 Audited HK\$
Within 3 months	—	—
3 to 6 months	—	—
6 to 12 months	—	—
Over 1 year	—	—
	—	—
Others	<b>9,214</b>	1,789,061
	<b>9,214</b>	1,789,061

## 8. Share capital

	Number of shares		Share capital	
	2008 Unaudited	2007 Audited	2008 Unaudited	2007 Audited
<i>Note</i>			<i>HK\$</i>	<i>HK\$</i>
Ordinary shares of HK\$0.10 each (2007: HK\$0.01 each)				
Authorised:				
At beginning of the Period	<b>3,000,000,000</b>	3,000,000,000	<b>30,000,000</b>	30,000,000
Consolidation of shares (b)	<b>(2,700,000,000)</b>	—	<b>—</b>	—
At end of the Period	<b>300,000,000</b>	3,000,000,000	<b>30,000,000</b>	30,000,000
Issued and fully paid:				
At beginning of the Period	<b>647,928,000</b>	431,952,000	<b>6,479,280</b>	4,319,520
Exercise of share option (a)	<b>50,000,000</b>	—	<b>500,000</b>	—
Consolidation of shares (b)	<b>(628,135,200)</b>	—	<b>—</b>	—
Issued on Open Offer (b)	<b>34,896,400</b>	215,976,000	<b>3,489,640</b>	2,159,760
At end of the Period	<b>104,689,200</b>	647,928,000	<b>10,468,920</b>	6,479,280

### *Note:*

- (a) Pursuant to the agreement entered into between China Investment Fund Company Limited (“CIF”) and the Company on 17 August 2007, CIF had exercised the option to subscribe for 50,000,000 new shares of the Company on 8 January 2008. The remaining subscription right for 36,000,000 shares (equivalent to 3,600,000 consolidated shares) remains outstanding.
- (b) Pursuant to an ordinary resolution passed at the special general meeting held on 26 February 2008, every ten ordinary shares of HK\$0.01 each in the entire share capital of the Company were consolidated into one ordinary share of HK\$0.10 each (“consolidated shares”) with effect from 27 February 2008 and that 34,896,400 consolidated shares of HK\$0.10 each in the share capital of the Company were issued on 18 March 2008 by way of an Open Offer to qualifying shareholders on the basis of one offer share for every two consolidated shares held.

## 9. Reserves

	<b>30 June 2008</b>	31 December 2007
	<b>Unaudited</b>	Audited
	<i>HK\$</i>	<i>HK\$</i>
Share premium	<b>179,064,710</b>	169,564,710
Share option reserve	<b>11,252,093</b>	26,880,000
Contributed surplus	<b>158,787,077</b>	127,380,317
Changes in fair value of available-for-sale financial assets	<b>12,888,621</b>	101,326,422
Retained earnings	<b>117,310,642</b>	116,231,185
	<b>479,303,143</b>	541,382,634

## 10. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$489,772,063 (31 December 2007: HK\$547,861,914) and the number of issued and fully paid up 104,689,200 shares of HK\$0.10 each (31 December 2007: 647,928,000 shares of HK\$0.01 each) as at 30 June 2008.

## 11. Event after the balance sheet date

A placing of new shares under general mandate (the "Placing") has been initiated on 24 July 2008 by the Company to raise funds of approximately HK\$22 million before expenses by issuing 20,000,000 new shares at the subscription price of HK\$1.10 per share. As a result of the Placing, the number of issued share of the Company has become 124,689,200 of nominal value of HK\$0.10 each with effect from 13 August 2008.

## 12. Comparative figures

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

## **Interim Dividend**

The Board resolved not to pay an interim dividend for the six months ended 30 June 2008 (2007: 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 26 February 2008, 34,896,400 shares of HK\$0.10 each in the share capital of the Company were issued on 18 March 2008 by way of an Open Offer to qualifying shareholders on the basis of one offer share for every two consolidated shares held (the "Open Offer").

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.

2007 was a fruitful year, evidenced by significant profits growth of the Group. We are however cautious about prospects in 2008. Though the United States economic and financial difficulties have a global impact, the economic impact on the Greater China region should not be severe since this region enjoys huge surpluses and is able to rely on domestic consumption and investment for economic growth. Stock market performance and investor sentiment is however another matter. We should prepare for a period of depressed investor psychology and diminished appetite for investment risk, particularly if negative news continues to flow from the United States. The Board still believes that the business environment will remain challenging and highly competitive and hopes 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 2008, cash and bank balances of the Group were approximately HK\$96 million. With cash and other current assets of approximately HK\$196 million as at 30 June 2008, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

### **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 2008, 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 pursuant to the Model Code contained in the Listing Rules were as follows:

### Long positions in shares of HK\$0.10 each 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 2008
Lam Kwing Wai, Alvin	—	—	62,780,710	62,780,710 <i>(Note 1)</i>	59.97%

\* Beneficial owner

+ Interests of spouse

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

Notes:

- 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 62,780,710 shares held by Favor Hero Investments Limited.
- Pursuant to an ordinary resolution passed on 26 February 2008, every ten shares of HK\$0.01 each of the Company have been consolidated into one share of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 June 2008, 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 2008, 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 HK\$0.10 each of the Company

Name	Personal *	Family +	Corporate #	Total	Percentage of issued share capital of the Company	<i>Notes</i>
	Interests	Interests	Interests	Interests		
Favor Hero Investments Limited	—	—	62,780,710	62,780,710	59.97%	1
Lam Kwing Wai, Alvin	—	—	62,780,710	62,780,710	59.97%	1
China Investment Fund Company Limited	3,696,000	—	7,500,000	11,196,000	10.69%	2
Capital Builder Investments Limited	—	—	9,648,101	9,648,101	9.22%	3
Mak Wai Chun	—	—	9,648,101	9,648,101	9.22%	3

\* 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 Kwing Wai, Alvin. Mr. Lam Kwing Wai, Alvin was therefore deemed to be interested in 62,780,710 shares held by Favor Hero Investments Limited.
2. Delux Famous Business Limited held 7,500,000 shares and was a wholly-owned subsidiary of China Investment Fund Company Limited. China Investment Fund Company Limited was therefore deemed to be interested in 7,500,000 shares held by Delux Famous Business Limited.
3. Harvest Capital Global Enterprises Limited held 6,794,000 shares and International Securities Investments Limited held 2,854,101 shares. Harvest Capital Global Enterprises Limited was a wholly-owned subsidiary of International Securities Investments Limited and International Securities Investments Limited 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 total of 9,648,101 shares held by Harvest Capital Global Enterprises Limited and International Securities Investments Limited.
4. Pursuant to an ordinary resolution passed on 26 February 2008, every ten shares of HK\$0.01 each of the Company have been consolidated into one share of HK\$0.10 each of the Company.

Save as disclosed above, as at 30 June 2008, 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

During the Period, the Company complied with all code provisions as set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 of the Listing Rules except for a single deviation. According to code provision E1.2 of the Code, the Chairman of the Board should attend the annual general meeting. Due to an unexpected business commitment, Mr. Lam Kwing Wai, Alvin, the Chairman of the Board, was unable to attend the annual general meeting of the Company (the “AGM”) held on 19 June 2008. Mr. Cheuk Yuk Lung, the managing director, was elected in accordance with the Company’s Articles of Association, to act as the chairman of the AGM and answered questions raised by shareholders together with the chairman of the Audit Committee and the Remuneration Committee.

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 2008.

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 2008, 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 two executive directors, namely Mr. Lam Kwing Wai, Alvin and Mr. Cheuk Yuk Lung 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**

*Managing Director*

Hong Kong, 23 September 2008