

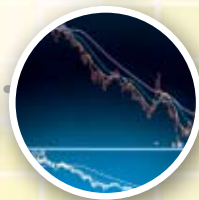


PROSPERITY INVESTMENT HOLDINGS LIMITED

嘉進投資國際有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 310



Interim Report
2009



Prosperity

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 2009 (the “Period”), together with the comparative figures for the corresponding period in 2008, as follows:

Condensed Consolidated Income Statement

| | | For the six months ended 30 June | |
|----------------|--|---|-------------|
| | | 2009 | 2008 |
| | | Unaudited | Unaudited |
| <i>Note</i> | | HK\$ | HK\$ |
| Revenue | | | |
| | Dividend income from investment securities and other investments/ financial assets, listed | 1,235,180 | 2,164,795 |
| | Net (loss)/gain on financial assets at fair value through profit or loss | (8,614,508) | 181,631 |
| | | (7,379,328) | 2,346,426 |
| | Other revenue | 2,065,188 | 5,221,379 |
| | Net (loss)/gain on disposal of available-for-sale financial assets | (37,232,822) | 1,093,195 |
| | Net (loss)/gain on disposal of derivative financial instruments | (4,785,417) | 202,800 |
| | | (47,332,379) | 8,863,800 |

| | | For the six months ended 30 June | |
|-------------|---|---|------------------|
| | | 2009 | 2008 |
| | | Unaudited | Unaudited |
| <i>Note</i> | | HK\$ | HK\$ |
| | | 1,119,377 | — |
| | | (95,195) | (3,220) |
| | | (542,140) | (724,183) |
| | | (1,500,000) | (3,900,000) |
| | | (7,106,652) | (3,156,940) |
| | | (55,456,989) | 1,079,457 |
| | 4 | — | — |
| | | (55,456,989) | 1,079,457 |
| | 5 | 16,677,596 | — |
| | 6 | | |
| | | (0.43) | 0.01 |
| | | N/A | 0.01 |

Condensed Consolidated Statement of Comprehensive Income

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 Unaudited HK\$ |
| (Loss)/Profit for the Period | (55,456,989) | 1,079,457 |
| Other comprehensive income | | |
| Fair value gain/(loss) on available-for-sale financial assets | 47,877,836 | (88,437,801) |
| Total comprehensive income for the Period attributable to owners of the Company | (7,579,153) | (87,358,344) |

Condensed Consolidated Statement of Financial Position

| | | 30 June 2009 | 31 December 2008 |
|--|--------------|---------------------------|---------------------|
| | <i>Notes</i> | Unaudited HK\$ | Audited HK\$ |
| Non-current assets | | | |
| Interests in associates | | 3,062,677 | 9,943,299 |
| Held-to-maturity investments | | 66,805,273 | 66,805,273 |
| Available-for-sale financial assets | | 141,002,096 | 160,325,179 |
| Other asset | | 150,000 | 150,000 |
| | | 211,020,046 | 237,223,751 |
| Current assets | | | |
| Available-for-sale financial assets | | 14,545,440 | 37,689,717 |
| Financial assets at fair value through profit or loss | | 192,500 | 237,125 |
| Other receivables | 7 | 16,144,497 | 28,715,692 |
| Cash with brokers | | 19,205,140 | 30,962,280 |
| Cash and bank balances | | 110,499,409 | 46,877,963 |
| | | 160,586,986 | 144,482,777 |
| Less: Current liabilities | | | |
| Other payables | 8 | 341,365 | 337,780 |
| Interest-bearing borrowings | | 5,301,888 | 6,064,618 |
| Due to Sinox Fund Management Limited | | 250,000 | 240,404 |
| Provision for taxation | | 779,106 | 3,801,980 |
| | | 6,672,359 | 10,444,782 |

| | | 30 June 2009 | 31 December 2008 |
|----------------------------------|--------------|---------------------------|---------------------|
| | <i>Notes</i> | Unaudited HK\$ | Audited HK\$ |
| Net current assets | | 153,914,627 | 134,037,995 |
| NET ASSETS | | 364,934,673 | 371,261,746 |
| Equity | | | |
| Share capital | 9 | 12,828,920 | 12,468,920 |
| Share premium and reserves | 10 | 352,105,753 | 358,792,826 |
| TOTAL EQUITY | | 364,934,673 | 371,261,746 |
| Net asset value per share | 11 | 2.84 | 2.98 |

Condensed Consolidated Statement of Changes in Equity

| | Unaudited | | | | | | | |
|--|-----------------------|-----------------------|------------------------------|-----------------------------|--------------------------|--|--|---------------|
| | Share capital HK\$ | Share premium HK\$ | Share option reserve HK\$ | Contributed surplus HK\$ | Dividend reserve HK\$ | Changes in fair value of Available-for-sale financial assets HK\$ | Retained profits/ (Accumulated losses) HK\$ | Total HK\$ |
| At 1 January 2008 | 6,479,280 | 169,564,710 | 26,880,000 | 127,380,317 | – | 101,326,422 | 116,231,185 | 547,861,914 |
| Profit for the period | – | – | – | – | – | – | 1,079,457 | 1,079,457 |
| Other comprehensive income: | | | | | | | | |
| – fair value loss on available-for-sale financial assets | – | – | – | – | – | (88,437,801) | – | (88,437,801) |
| Total comprehensive income for the period | – | – | – | – | – | (88,437,801) | 1,079,457 | (87,358,344) |
| Capital and premium arise from: | | | | | | | | |
| – exercise of share option | 500,000 | 9,500,000 | – | – | – | – | – | 10,000,000 |
| – open offer | 3,489,640 | – | – | 31,406,760 | – | – | – | 34,896,400 |
| Exercise of share option | – | – | (15,627,907) | – | – | – | – | (15,627,907) |
| 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 |
| At 1 January 2009 | 12,468,920 | 257,468,470 | 11,252,093 | 108,011,224 | – | (80,613,199) | 62,674,238 | 371,261,746 |
| Loss for the period | – | – | – | – | – | – | (55,456,989) | (55,456,989) |
| Other comprehensive income: | | | | | | | | |
| – fair value gain on available-for-sale financial assets | – | – | – | – | – | 47,877,836 | – | 47,877,836 |
| Total comprehensive income for the period | – | – | – | – | – | 47,877,836 | (55,456,989) | (7,579,153) |
| Capital and premium arise from | | | | | | | | |
| exercise of share option | 360,000 | 5,900,400 | – | – | – | – | – | 6,260,400 |
| Exercise of share option | – | – | (11,252,093) | 6,243,773 | – | – | – | (5,008,320) |
| Interim dividend | – | – | – | – | 16,677,596 | – | (16,677,596) | – |
| At 30 June 2009 | 12,828,920 | 263,368,870 | – | 114,254,997 | 16,677,596 | (32,735,363) | (9,460,347) | 364,934,673 |

Condensed Consolidated Statement of Cash Flows

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 Unaudited HK\$ |
| NET CASH GENERATED FROM/ (USED IN): | | |
| OPERATING ACTIVITIES | 2,719,952 | 991,572 |
| INVESTING ACTIVITIES | 47,892,274 | (79,641,931) |
| FINANCING ACTIVITIES | 1,252,080 | 44,896,400 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 51,864,306 | (33,753,959) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 77,840,243 | 129,961,221 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 129,704,549 | 96,207,262 |
| ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Cash with brokers | 19,205,140 | 15,442,992 |
| Cash and bank balances | 110,499,409 | 80,764,270 |
| | 129,704,549 | 96,207,262 |

Notes to the Condensed Financial Statements

For the six months ended 30 June 2009

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”).

A number of new or revised standards, amendments and interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, 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 2008.

HKAS 1 (Revised), “Presentation of Financial Statements”, has introduced a number of terminology changes (including revised titles for the condensed financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

2. Segmental Information

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. Other Revenue

| | For the six months ended 30 June | |
|---------------------------|-------------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 Unaudited HK\$ |
| Interest on bank deposits | 1,196,900 | 4,838,185 |
| Other income | 868,288 | 383,194 |
| | 2,065,188 | 5,221,379 |

4. Income tax expense

Income tax expense in the condensed consolidated income statement represents:

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 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. Dividend

Interim dividend declared for the year ending 31 December 2009:

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 Unaudited HK\$ |
| Interim dividend declared of HK\$0.13 per share on 128,289,200 shares (2008: Nil) | 16,677,596 | — |

6. (Loss)/Earnings per share

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

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------|
| | 2009 Unaudited HK\$ | 2008 Unaudited HK\$ |
| (Loss)/Earnings | | |
| (Loss)/Earnings for the purposes of both basic and diluted (loss)/earnings per share | (55,456,989) | 1,079,457 |
| Number of shares | | |
| Weighted average number of shares for the purpose of basic (loss)/earnings per share | 128,289,200 | 97,295,644 |
| Effect of dilutive potential shares — Options | — | 2,630,769 |
| Weighted average number of shares for the purpose of diluted (loss)/earnings per share | 128,289,200 | 99,926,413 |

7. Other receivables

The ageing analysis of the other receivables is as follows:

| | 30 June 2009 Unaudited HK\$ | 31 December 2008 Audited HK\$ |
|-----------------|--------------------------------------|--|
| Within 3 months | — | 10,018,000 |
| 3 to 6 months | 845,000 | 863,000 |
| 6 to 12 months | 84,000 | 42,000 |
| Over 1 year | — | 30,000 |
| | 929,000 | 10,953,000 |
| Others | 15,215,497 | 17,762,692 |
| | 16,144,497 | 28,715,692 |

8. Other payables

The ageing analysis of the other payables is as follows:

| | 30 June 2009 Unaudited HK\$ | 31 December 2008 Audited HK\$ |
|-----------------|--------------------------------------|--|
| Within 3 months | — | — |
| 3 to 6 months | — | — |
| 6 to 12 months | — | — |
| Over 1 year | — | — |
| | — | — |
| Others | 341,365 | 337,780 |
| | 341,365 | 337,780 |

9. Share capital

| | Note | Number of shares | | Share capital | |
|----------------------------------|------|------------------|---------------|-------------------|-----------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | Unaudited | Audited | Unaudited HK\$ | Audited HK\$ |
| Ordinary shares of HK\$0.10 each | | | | | |
| Authorized: | | 300,000,000 | 300,000,000 | 30,000,000 | 30,000,000 |
| Issued and fully paid: | | | | | |
| At beginning of the Period | | 124,689,200 | 647,928,000 | 12,468,920 | 6,479,280 |
| Share option exercised | (a) | 3,600,000 | 50,000,000 | 360,000 | 500,000 |
| Consolidation of shares | | — | (628,135,200) | — | — |
| Issued on open offer | | — | 34,896,400 | — | 3,489,640 |
| Issued on share placing | | — | 20,000,000 | — | 2,000,000 |
| At end of the Period | | 128,289,200 | 124,689,200 | 12,828,920 | 12,468,920 |

Note:

- (a) On 10 June 2009, pursuant to the agreement entered into between China Investment Fund Company Limited (“CIF”) and the Company on 17 August 2007 regarding the share option granted by the Company, CIF has exercised the option to subscribe for the remaining subscription right for 3,600,000 ordinary shares of HK\$0.10 each at HK\$1.739 each. The share premium on issue of the shares in HK\$5,900,400 was credited to the share premium account.

10. Share premium and reserves

| | 30 June 2009 Unaudited HK\$ | 31 December 2008 Audited HK\$ |
|---|--------------------------------------|--|
| Share premium | 263,368,870 | 257,468,470 |
| Share option reserve | — | 11,252,093 |
| Contributed surplus | 114,254,997 | 108,011,224 |
| Dividend reserve | 16,677,596 | — |
| Changes in fair value of available-for-sale financial assets | (32,735,363) | (80,613,199) |
| (Accumulated losses)/Retained profits | (9,460,347) | 62,674,238 |
| | 352,105,753 | 358,792,826 |

11. Net asset value per share

Net asset value per share is computed based on the net assets of HK\$364,934,673 (31 December 2008: HK\$371,261,746) and the number of issued and fully paid up 128,289,200 shares of HK\$0.10 each (31 December 2008: 124,689,200 shares of HK\$0.10 each) as at 30 June 2009.

12. Events after the reporting period

- i. Pursuant to an ordinary resolution passed at the special general meeting held on 9 July 2009 (the "SGM"), distribution out of contributed surplus account of the Company of HK\$0.67 per share to the shareholders of the Company, whose names appeared on the register of members of the Company on Wednesday, 15 July 2009 was approved. The said distribution was paid on 24 July 2009.
- ii. Pursuant to a special resolution passed at the SGM, the entire amount standing to the credit of the share premium account of the Company as at the day of the SGM was cancelled (the "Share Premium Reduction") on the next business day immediately following the date of passing the special resolution and the amount cancelled was transferred in full to the contributed surplus account of the Company.

INTERIM DIVIDEND

The Board had already declared an interim dividend of HK\$0.13 per share for the year ending 31 December 2009 (2008: Nil) to the shareholders on the register of members of the Company on Wednesday, 15 July 2009. The said interim dividend was paid on 24 July 2009.

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 a special resolution passed at the SGM, the entire amount standing to the credit of the share premium account of the Company as at the day of the SGM was cancelled on the next business day immediately following the date of passing the special resolution and the amount cancelled was transferred in full to the contributed surplus account of the Company.

The Board believes that the Share Premium Reduction is beneficial to the Company and the shareholders as a whole as the credit arising from the Share Premium Reduction transferred to the contributed surplus account of the Company will enable the Company to make distribution to the shareholders at an earlier opportunity in the future.

Investments around the world dropped significantly following the outbreak of the global financial tsunami since the second half of 2008. Despite the financial uncertainty, the global economies seem to begin restoring steadily since the second quarter of 2009 after the governments of the global economies were urged to take extensive measures in both fiscal and monetary policies to combat the spread of the financial tsunami. We are however still cautious about the prospects in the years ahead and will adopt a more conservative and prudent approach in identifying and pursuing any investment

opportunities. The Board believes that the business environment will remain challenging and highly competitive and hopes both the global and Hong Kong economies will continue to recover steadily.

The Group will continue to manage the existing investments in accordance with the Company's investment objective and policy of achieving long term capital appreciation and growth in profits and 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 2009, cash and bank balances of the Group were approximately HK\$130 million. With cash and other current assets of approximately HK\$161 million as at 30 June 2009, 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 2009, 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 2009 |
|--------------------------------|-------------------------|-----------------------|--------------------------|------------------------|---|
| | | | | | |
| Lam Kwing Wai, Alvin Leslie | – | – | 65,120,710 | 65,120,710 (Note 1) | 50.76% |

* 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 Leslie as disclosed in the "Substantial Shareholders" below. Mr. Lam Kwing Wai, Alvin Leslie was therefore deemed to be interested in 65,120,710 shares held by Favor Hero Investments Limited.

Save as disclosed above, as at 30 June 2009, 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.

DISCLOSURE OF INFORMATION ON DIRECTORS

Pursuant to rule 13.51B(1) of the Listing Rules, the change of information on directors of the Company is as follows:

Mr. Lam Kwing Wai, Alvin Leslie has changed his present name from "Lam Kwing Wai, Alvin" to "Lam Kwing Wai, Alvin Leslie".

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2009, 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 * Interests | Family + Interests | Corporate # Interests | Percentage of issued share | | |
|--|-------------------------|-----------------------|--------------------------|-------------------------------|---------------------------|-------|
| | | | | Total Interests | capital of the Company | Notes |
| Favor Hero Investments Limited | — | — | 65,120,710 | 65,120,710 | 50.76% | 1 |
| Lam Kwing Wai, Alvin Leslie | — | — | 65,120,710 | 65,120,710 | 50.76% | 1 |
| China Investment Fund Company Limited | 96,000 | — | 11,100,000 | 11,196,000 | 8.73% | 2 |
| Cosmopolitan International Holdings Limited | — | — | 12,000,000 | 12,000,000 | 9.35% | 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 Leslie. Mr. Lam Kwing Wai, Alvin Leslie was therefore deemed to be interested in 65,120,710 shares held by Favor Hero Investments Limited.
2. Delux Famous Business Limited held 11,100,000 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 11,100,000 shares held by Delux Famous Business Limited.
3. Sinofame International Limited held 12,000,000 shares and was an indirect wholly-owned subsidiary of Cosmopolitan International Holdings Limited. Cosmopolitan International Holdings Limited was therefore deemed to be interested in 12,000,000 shares held by Sinofame International Limited.

Save as disclosed above, as at 30 June 2009, 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.

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 2009.

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 2009, 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 Leslie 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, 15 September 2009