



**PRIME INVESTMENTS
HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Interim Report 2001-2002

CORPORATE INFORMATION

Board of Directors

Executive Directors

Ms. Chiu Kam Hing, Kathy J.P.
Mr. Pong Po Lam
Ms. Ho Pansy Chiu King
Mr. Fang Wei An, Anthony

Non-Executive Directors

Mr. Lau Sak Hong
Dr. Chan Po Fun, Peter M.B.E., J.P.,
D.S., PH.D.

Independent Non-Executive Directors

Dr. Lee Tung Hai GBS, LLD, J.P.
Dr. Cheung Wai Bun, Charles J.P.

Company Secretary

Mr. Yung Cheong Wei, Terence

Registered Office

Century Yard
Cricket Square
Hutchins Drive
P.O.Box 2681 GT
George Town
Grand Cayman
British West Indies

Share Registrars and Transfer Office

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

Trading Code on The Stock

Exchange of Hong Kong Limited
721

Investment Manager

Glory Investment Assets Limited
Room 2101, 21st Floor
Chekiang First Bank Centre
1 Duddell Street, Central
Hong Kong

Legal Counsel

Hong Kong
lu, Lai & Li

Cayman Islands
Conyers Dill & Pearman
Barristers and Attorneys

Auditors

Ernst & Young
15th Floor, Hutchison House
10 Harcourt Road
Central, Hong Kong

Principal Banker

The Hongkong and Shanghai
Banking Corporation Limited

Custodian

Dexia Trust Services Singapore
Limited
9 Raffles Place
#22-01 Republic Plaza
Singapore 048619

Principal Place of Business in Hong Kong

Room 2101, 21st Floor
Chekiang First Bank Centre
1 Duddell Street
Central, Hong Kong

The Board of Directors (the “Board”) of Prime Investments Holdings Limited (the “Company”) is pleased to present the interim report and condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2001 (the “Period”). The consolidated results, consolidated cash flow statement and the consolidated balance sheet of the Group as at 31 December 2001, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 2 to 9 of this report.

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Unaudited Six months ended 31 December 2001 HK\$	Audited Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$ (Note)
	Notes		
Turnover			
Proceeds from sale of trading securities	3	1,172,700	—
Cost of sales		(1,243,085)	—
Realised loss on sale of trading securities		(70,385)	—
Other revenue	3	211,629	51,846
Administrative expenses		(2,430,217)	(519,561)
Unrealised holding loss on trading securities		(225,700)	—
Loss before tax	4	(2,514,673)	(467,715)
Tax	5	—	—
Loss for the Period attributable to shareholders		(2,514,673)	(467,715)
Dividend	6	Nil	Nil
Loss per share	7		
Basic		6.29 cents	14.9 cents
Diluted		N/A	N/A

The Group had no recognised gains or losses other than the net loss for the period attributable to shareholders. Accordingly, a consolidated statement of recognised gains and losses is not presented in these interim financial statements.

Note: The results for the period from 12 July 2000 (date of incorporation) to 30 June 2001 have been used for comparison because the Group was inactive prior to the Company's flotation on The Stock Exchange of Hong Kong Limited on 8 June 2001.

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 31 December 2001 HK\$	Audited 30 June 2001 HK\$
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		272,514	266,289
Investment securities	8	25,000,000	—
Deposit for an unlisted equity investment		—	1,000,000
Rental deposit		118,844	109,266
		25,391,358	1,375,555
CURRENT ASSETS			
Trading securities	9	865,040	—
Prepayments		145,008	33,534
Time deposits		—	28,000,000
Cash and bank balances		5,649,235	5,732,061
		6,659,283	33,765,595
CURRENT LIABILITIES			
Other payables and accrued liabilities		88,142	663,978
NET CURRENT ASSETS			
		6,571,141	33,101,617
		31,962,499	34,477,172
CAPITAL AND RESERVES			
Share capital	10	4,000,000	4,000,000
Reserves	11	27,962,499	30,477,172
		31,962,499	34,477,172

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31 December 2001 HK\$	Audited Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Net cash outflow from operating activities	(3,244,847)	(992,860)
Returns on investments and servicing of finance		
Interest received	211,629	51,846
Investing activities		
Purchases of investment securities	(25,000,000)	—
Purchases of fixed assets	(49,608)	(271,812)
Net cash outflow from investing activities	(25,049,608)	(271,812)
Net cash outflow before financing activities	(28,082,826)	(1,212,826)
Financing activities		
Proceeds from issue of new shares	—	40,000,000
Share issue expenses	—	(5,055,113)
Net cash inflow from financing activities	—	34,944,887
Increase/(decrease) in cash and cash equivalents	(28,082,826)	33,732,061
Cash and cash equivalents as at beginning of period	33,732,061	—
Cash and cash equivalents as at end of period	5,649,235	33,732,061
Analysis of balances of cash and cash equivalents		
Time deposits	—	28,000,000
Cash and bank balances	5,649,235	5,732,061
	5,649,235	33,732,061

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of Preparation and Principal Accounting Policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), and on a basis consistent with the principal accounting policies and methods of computation adopted in the Group's annual financial statements for the period ended 30 June 2001 except that the Group has changed certain of its accounting policies following its adoption of the following new/revised SSAPs:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above new/revised SSAPs had no major impact on the interim financial statements of the Group for the six months ended 31 December 2001.

2. Segment Information

The Group is principally engaged in the investment in listed and unlisted companies and all the investment decisions are made in Hong Kong SAR. Accordingly, no analysis of segmental information is required to be disclosed.

3. Turnover and Revenue

The Group is principally engaged in the investment in listed and unlisted companies. Revenue of the Group recognised during the Period are as follows:

	Unaudited Six months ended 31 December 2001 HK\$	Audited Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Turnover		
Proceeds from sale of trading securities	1,172,700	—
Other revenue		
Interest income	211,629	51,846
	<u>1,384,329</u>	<u>51,846</u>
Total revenue	1,384,329	51,846

4. Loss Before Tax

The Group's loss before tax is arrived at after charging:

	Unaudited Six months ended 31 December 2001 HK\$	Audited Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
Depreciation	43,383	5,523
Staff costs (excluding directors' remuneration)	208,140	30,586
Operating leases rentals on land and buildings	184,092	30,682
Unrealised holding loss on trading securities	225,700	—
	<u>225,700</u>	<u>—</u>

5. Tax

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits during the Period (period ended 30 June 2001: Nil).

No provision for deferred tax has been made as there were no significant timing differences at 31 December 2001 (30 June 2001: Nil).

6. Dividend

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2001 (period ended 30 June 2001: Nil).

7. Loss Per Share

The calculation of the basic loss per share is based on the net loss for the Period attributable to shareholders of HK\$2,514,673 (period ended 30 June 2001: HK\$467,715) and 40,000,000 (period ended 30 June 2001: the weighted average of 3,137,007) ordinary shares in issue during the Period. No diluted loss per share is presented as there were no dilutive effects on the basic loss per share for the Period.

8. Investment Securities

	Unaudited 31 December 2001 HK\$	Audited 30 June 2001 HK\$
Unlisted equity securities, at cost	<u>25,000,000</u>	<u>—</u>

9. Trading Securities

	Unaudited 31 December 2001 HK\$	Audited 30 June 2001 HK\$
Listed equity securities, at fair value		
Listed in Hong Kong	<u>865,040</u>	<u>—</u>

10. Share Capital

	Ordinary shares of HK\$0.10 each Number of shares	Amount HK\$
Issued and fully paid:		
At 30 June 2001 and 31 December 2001	<u>40,000,000</u>	<u>4,000,000</u>

11. Reserves

Group	Share premium HK\$	Accumulated losses HK\$	Total HK\$
At 1 July 2001	30,944,887	(467,715)	30,477,172
Loss for the Period	—	(2,514,673)	(2,514,673)
At 31 December 2001	<u>30,944,887</u>	<u>(2,982,388)</u>	<u>27,962,499</u>

12. Related Party Transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, are summarised as follows:

		Unaudited Six months ended 31 December 2001 HK\$	Audited Period from 12 July 2000 (date of incorporation) to 30 June 2001 HK\$
	<i>Notes</i>		
Investment management fee paid to Interim Investment Manager	(a)	—	14,000
Investment management fee paid to Investment Manager	(b)	<u>405,038</u>	<u>—</u>

- (a) Pursuant to the Interim Investment Management Agreement between the Company and Pegasus Fund Managers Limited (the "Interim Investment Manager"), the Interim Investment Manager provided interim investment management services to the Company for a monthly management fee payable in advance, calculated at 0.5% per annum of the net asset value of the Group as at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days.

Mr. Pong Po Lam, an executive director, has a 91.57% equity interest in the issued share capital of the Interim Investment Manager. The Interim Investment Management Agreement expired on 4 July 2001.

- (b) Pursuant to the Investment Management Agreement between the Company and Glory Investment Assets Limited (the "Investment Manager"), the Investment Manager provides investment management services and general administrative services to the Group. Under this arrangement, the Investment Manager is entitled to a monthly management fee payable in advance at 2.5% per annum of the net asset value of the Group at the end of the preceding month on the basis of the actual number of days in the relevant calendar month over a year of 365 days. In addition, the Investment Manager is also entitled to 15% of the surplus in net asset value of the Group over a financial year or Period.

Ms. Chiu Kam Hing Kathy, an executive director of the Company, has 30% equity interests in the Investment Manager.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

BUSINESS REVIEW

The Group is an investment company with the primary objective of achieving medium term capital appreciation by investing in listed and unlisted companies in Hong Kong SAR and the People's Republic of China ("PRC"). There has been no change in the Group's investment objectives and policies as stated in the prospectus of the Group dated 31 May 2001 since listing of the Group on The Stock Exchange of Hong Kong Limited on 8 June 2001.

PROSPECT

As disclosed in the 2001 Annual Report, the Group had invested in five unlisted companies which are respectively engaged in development of a website providing legal information in the PRC, development of a website providing on-line professional consultancy service in the PRC, production and distribution of building materials in the PRC, development of medical products in the PRC, development and installation of automated household surveillance system in Hong Kong SAR and the PRC. These investments are expected to bring to the Group steady returns and possible capital appreciation.

Despite China's accession to WTO and the consecutive rounds of interest rate cuts in US by the Fed, the Hong Kong economy has shown meager signs of recovery. In anticipation of the prolonged sluggishness in the global economy, we are cautiously optimistic in the stock markets of Hong Kong SAR and the PRC. The Group will adopt a conservative investment policy and will keep on looking for suitable investment opportunities with satisfactory return.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2001, the Group had cash and bank balances of HK\$5,649,235. Most of the cash and bank balances were placed in Hong Kong dollar deposits with banks in Hong Kong SAR.

FOREIGN CURRENCY FLUCTUATION

Since the Group mainly uses Hong Kong dollars to carry out its business transactions, the Group believes that the foreign exchange risk is minimal. No foreign exchange forward contract was outstanding as at 31 December 2001.

STAFF

As at 31 December 2001, the Group employed three employees. Total staff cost of the Group, excluding directors' remuneration, for the Period under review amounted to HK\$208,140. Staff remuneration packages are normally reviewed annually.

DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 December 2001, the interests of the directors in shares in the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

Name of director	Notes	Nature of interest	Number of shares
Ms. Chiu Kam Hing, Kathy	(a)	Corporate	5,000,000
Ms. Ho Pansy Chiu King	(b)	Corporate	3,000,000
Mr. Lau Sak Hong	(c)	Corporate	500,000

Notes:

- (a) The shares are held by Good Win Holdings Limited, a company wholly-owned by Ms. Chiu Kam Hing, Kathy.
- (b) The shares are held by Bond Dollar Assets Limited, a company wholly-owned by Ms. Ho Pansy Chiu King.
- (c) The shares are held by Typical Triumph Corp. which is wholly-owned by Starlight International Holdings Limited, a company listed on the Stock Exchange, which is in turn owned as to approximately 31.9% by Mr. Lau Sak Hong and his associates.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES

Under a share option scheme (the "Scheme") approved by the shareholders of the Company on 24 May 2001, the directors of the Company may, at their discretion, invite employees, including executive directors of the Company and its subsidiaries, to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated by the Scheme. As at 31 December 2001, no options had been granted under the Scheme.

Save as disclosed above, at no time during the Period was the Company or its subsidiaries a party to any arrangement 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.

The Company did not grant any other right to subscribe for shares in the Company to any director or chief executive of the Company or their respective spouse of children under 18 years of age during the Period.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that as at 31 December 2001, the Company had been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares
Good Win Holdings Limited	5,000,000

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's ordinary shares during the six months ended 31 December 2001.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, following the listing of the Company's shares on the Stock Exchange on 8 June 2001 and up to the date of this report, except that the independent non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 31 December 2001.

On behalf of the Board
Chiu Kam Hing, Kathy
Chairman

Hong Kong SAR, 20 March 2002