



PRIME INVESTMENTS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Interim Report

2003 | 2004



Prime Investments Holdings Limited

The Board of Directors (the "Board") of Prime Investments Holdings Limited (the "Company") is pleased to present the interim report and the unaudited condensed accounts of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2003, together with the explanatory notes, as set out below:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Six months ended 31 December (Unaudited)	
		2003	2002
		HK\$	HK\$
	Notes		
TURNOVER	3	–	3,503,171
Cost of trading securities sold		–	(3,847,100)
Realised loss on sale of trading securities		–	(343,929)
Unrealised holding gain on trading securities		–	281,220
Other revenue	3	–	5,796
Administrative expenses		(1,820,808)	(2,309,740)
LOSS FROM OPERATING ACTIVITIES	4	(1,820,808)	(2,366,653)
Finance costs	5	(216,904)	(97,132)
LOSS BEFORE TAX		(2,037,712)	(2,463,785)
Tax	6	–	–
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(2,037,712)	(2,463,785)
Dividend	7	Nil	Nil
Loss per share	8		
Basic		4.91 cents	6.16 cents
Diluted		N/A	N/A

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CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	31 December 2003 (Unaudited) HK\$	30 June 2003 (Audited) HK\$
NON-CURRENT ASSETS			
Fixed assets		130,456	177,480
Investment securities	9	15,000,000	10,000,000
Rental deposit		239,688	239,688
Deposit for an unlisted equity investment	10	–	5,000,000
		15,370,144	15,417,168
CURRENT ASSETS			
Prepayments, deposits and other receivables		3,300	4,600
Cash and bank balances		387,673	74,995
		390,973	79,595
CURRENT LIABILITIES			
Other payables and accrued liabilities		449,801	586,499
Amount due to a director		–	514,986
Other loans	11	4,000,000	3,046,250
		4,449,801	4,147,735
NET CURRENT LIABILITIES			
		(4,058,828)	(4,068,140)
		11,311,316	11,349,028
CAPITAL AND RESERVES			
Share capital	12	4,800,000	4,000,000
Reserves		6,511,316	7,349,028
		11,311,316	11,349,028

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 31 December (Unaudited)	
	2003 HK\$	2002 HK\$
Net cash outflow from operating activities	(1,684,208)	(1,338,278)
Net cash outflow from investing activities	(3,114)	(3,571,371)
Net cash inflow from financing activities	2,000,000	1,500,000
Increase/(decrease) in cash and cash equivalents during the period	312,678	(3,409,649)
Cash and cash equivalents at the beginning of the period	74,995	3,491,172
Cash and cash equivalents at the end of the period	387,673	81,523
Analysis of balances of cash and cash equivalents		
Cash and bank balances	387,673	81,523

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share Capital (Unaudited) Note	Share Premium (Unaudited) HK\$	Accumulated Losses (Unaudited) HK\$	Total (Unaudited) HK\$
At 1 July 2003	4,000,000	30,944,887	(23,595,859)	11,349,028
Issuance of new shares	12 800,000	1,200,000	-	2,000,000
Net loss for the period	-	-	(2,037,712)	(2,037,712)
At 31 December 2003	4,800,000	32,144,887	(25,633,571)	11,311,316
At 1 July 2002	4,000,000	30,944,887	(5,439,285)	29,505,602
Net loss for the period	-	-	(2,463,785)	(2,463,785)
At 31 December 2002	4,000,000	30,944,887	(7,903,070)	27,041,817

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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 Statements of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants (the "HKSA") 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 year ended 30 June 2003 except that the Group has adopted SSAP 12 (revised) "Income taxes" issued by the HKSA which is effective for accounting periods commencing after 1 January 2003. SSAP 12 (revised) prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax). This SSAP has had no significant impact on these interim financial statements.

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 business segment is provided. No geographical analysis is presented as none of the Group's turnover, results, assets and liabilities are attributable to markets outside the People's Republic of China (the "PRC") (including Hong Kong).

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:

	Six months ended 31 December (unaudited)	
	2003 HK\$	2002 HK\$
Turnover		
Proceeds from sale of trading securities	–	3,503,171
Other revenue		
Interest Income	–	5,796
Total revenue	–	3,508,967

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4. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Six months ended 31 December (unaudited)	
	2003 HK\$	2002 HK\$
Staff costs (excluding directors' remuneration):		
Salaries and wages	93,720	299,401
Net pension scheme contributions	5,560	15,688
	99,280	315,089
Depreciation	50,138	47,025
Operating leases rentals on land and buildings	399,480	380,948

5. FINANCE COSTS

	Six months ended 31 December (unaudited)	
	2003 HK\$	2002 HK\$
Interest expense on other loans	216,904	97,132

6. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits during the six months ended 31 December 2003 (2002: Nil).

7. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 31 December 2003 (2002: Nil).

8. 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\$2,037,712 (2002: HK\$2,463,785) and the weighted average of 41,521,739 (2002: 40,000,000) ordinary shares in issue during the period.

No diluted loss per share for 2003 and 2002 is presented as there were no dilutive effects on the basic loss per share for the period.

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9. INVESTMENT SECURITIES

	31 December 2003 (Unaudited) HK\$	30 June 2003 (Audited) HK\$
Unlisted equity securities, at fair value	15,000,000	10,000,000

10. DEPOSIT FOR AN UNLISTED EQUITY INVESTMENT

On 22 June 2001, the Group entered into an agreement to invest HK\$5,000,000 for a 20% equity interest in Sunkock Development Limited, a company engaged in the development of medical products in the PRC, and a deposit of HK\$5,000,000 was paid by the Group as of 30 June 2003. The deposit was transferred to the cost of investment securities upon the completion of the agreement on 25 July 2003.

11. OTHER LOANS

	31 December 2003 (Unaudited) HK\$	30 June 2003 (Audited) HK\$
Other Loans	4,000,000	3,046,250

A loan of HK\$1,500,000 (30 June 2003: HK\$2,000,000) was granted by a third party on 22 September 2003 and repayable on 21 March 2004, bearing interest at a rate of 24% per annum and secured by a personal guarantee given by a director. The loan was subsequently repaid on 21 March 2004 and a new loan of HK\$1,500,000 was granted by a director on that day. The new loan is unsecured and bears interest at a rate of 3% per annum and is repayable on 20 July 2004.

The remaining balance of HK\$2,500,000 (30 June 2003: Nil) representing a loan granted by Oceanwide Investments Limited ("Oceanwide") on 24 September 2003, repayable on 31 December 2003, unsecured and bearing interest at a rate of 3% per annum. On 31 December 2003, the loan was extended for an additional six months to expire on 30 June 2004, all terms and conditions remaining unchanged.

As at 30 June 2003, a loan due to another third party of HK\$1,046,250 was fully repaid on 24 September 2003.

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12. SHARE CAPITAL

	31 December 2003 (Unaudited) HK\$	30 June 2003 (Audited) HK\$
Issued and fully paid:		
48,000,000 (30 June 2003: 40,000,000) ordinary shares of HK\$0.10 each	4,800,000	4,000,000

On 12 November 2003, the Company entered into subscription agreements with seven independent investors to place an aggregate of 8,000,000 shares of HK\$0.1 each at a price of HK\$0.25 per share for a total consideration of HK\$2,000,000, giving rise to a share premium of HK\$1,200,000.

13. RELATED PARTY TRANSACTIONS

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

	Six months ended 31 December (unaudited) 2003 HK\$	2002 HK\$
Investment management fee paid to Glory Investment Assets Limited	153,876	296,817

Pursuant to the Investment Management Agreement dated 24 May 2001 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% (2002: 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% (2002: 15%) of the surplus in net asset value at the Group over a financial year or period.

Pursuant to a supplemental agreement to the Investment Management Agreement dated 25 June 2002 entered into between the Company and the Investment Manager (the "Supplemental Agreement"), the monthly management fee payable in advance was reduced from 2.5% per annum to 2.0% per annum of the net asset value of the Group as at the end of the preceding month, calculated on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The Supplemental Agreement became effective on 2 August 2002.

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

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INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2003 (2002: Nil).

BUSINESS REVIEW

For the six months ended 31 December 2003, the Group reported a loss of approximately HK\$2.0 million (2002: HK\$2.5 million). This loss is mainly attributable to the operating expenses in Hong Kong.

Over the period under review, the general investment environment has improved, but the overall outlook is still uncertain. Although the economy of the region within which we operate has shown positive signs of recovery, other factors such as currency risk and political issues have brought negative impact, creating an uncertain picture in the year ahead.

The Group had not made any major investments during the same period due to the lack of new capital for investment. Also, all the Group's existing investments are all in unlisted equities which are long-term and illiquid in nature. For this reason, although the Hong Kong stock market marked a considerable recovery in the second half of 2003, the Group did not benefit from the stock market rally.

The local economy recovered from the recent lows in last year, nevertheless, the Board was aware that such rebound was led by the manufacturing sector rather than by the technology and IT sector as was the previous global market rally. Under such circumstances, the Board has taken a strategic step in its investment management by disposing two investments which do not present favourable prospects. One of the projects was related to the development and transmittance of mobile contents within Hong Kong and the PRC region, while the other was related to the development of an intelligent building management system. These two investments were already fully written off in September 2003 and were reflected in the previous year's accounts.

PROSPECT

The Board is comfortable with the development and progress of the three projects remaining in the Group's portfolio. With the continuous growth within the PRC market and with our existing investment focusing on the PRC market, we believe that our investments will derive positive and profitable returns to the Group in the near future.

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The Group is consolidating its investments and tuning its financial position with an objective in minimising losses which might arise from unsound investments, while strengthening investments with stable revenues. The Board will continue to seek for potential business partners in order to broaden its revenue generating power as well as to enlarge its shareholder and capital base.

We believe the worst era of Hong Kong has already passed and, with the implementation of CEPA, the gradual deregulation of the mainland capital markets and the resulting increase in business activities and opportunities, we are optimistic that the economy and the stock market will recover at a hastened pace, and will benefit Hong Kong as a whole.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2003, the Group had cash and bank balances of HK\$387,673 (31 December 2002: HK\$81,523). Most of the cash and bank balances were placed in Hong Kong dollar deposits with a bank 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 foreign exchange risk is minimal. No foreign exchange forward contract was outstanding as at 31 December 2003 (2002: Nil).

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2003, the Group employed a total of 3 employees. Total staff cost of the Group, excluding directors' remuneration, for the period amounted to HK\$99,280 (2002: HK\$315,089). Employee's remuneration are fixed and determined with reference to the market rate.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2003, the interests or short positions of the directors and their respective associates in shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV

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of the Securities and Futures Ordinance (the "SFO") as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Notes	Nature of interest	Number of ordinary shares
Ms. Chiu Kam Hing, Kathy	(a)	Corporate	5,000,000
Ms. Ho Chiu King, Pansy	(b)	Corporate	3,000,000

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 Chiu King, Pansy.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, none of the directors or their associates had any interests or short positions in the shares or underlying shares of the Company or any of its associated corporations as recorded in the register 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 for Securities Transactions by Directors of Listed Companies.

DIRECTORS' 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 2003, no options had been granted under the Scheme.

Apart from as disclosed above and under the heading "Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations", at no time during the six months ended 31 December 2003 were rights to acquire benefits by means of the acquisition of

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shares in or debentures of the Company granted to any director or any of their associates or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following persons (other than directors of the Company) have interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Notes	Number of shares held	Percentage of the Company's issued shares
Good Win Holdings Limited	(a)	5,000,000	10.42%
Deng Chi Yuan		4,900,000	10.21%
Bond Dollar Assets Limited	(b)	3,000,000	6.25%

Note:

- (a) Good Win Holdings Limited is a company wholly-owned by Ms. Chiu Kam Hing, Kathy, an executive director of the Company, as detailed under "Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above.
- (b) Bond Dollar Assets Limited is a company wholly-owned by Ms. Ho Chiu King, Pansy, an executive director of the company, as detailed under "Directors' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above.

All the interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2003 that was required to be recorded in the register kept by the Company under Section 336 of the SFO.

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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 2003.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the six months ended 31 December 2003, 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 2003.

On behalf of the Board
Lau Sze Shing, Edward
Chairman

Hong Kong SAR, 29 March 2004