

INTERIM REPORT 2008/09



## Prime Investments Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)  
Stock Code: 721

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Ms. Wang Wen Xia (*Chairman*)  
Mr. Pong Po Lam, Paul

#### Non-executive Directors

Dr. Chan Po Fun, Peter, *J.P.*  
Mr. Ding Xiaobin  
Mr. Fung Cheuk Nang Clement  
Mr. Ma Jie

#### Independent non-executive Directors

Dr. Cheung Wai Bun, Charles, *J.P.*  
Mr. Zhang Yong  
Mr. Zeng Xianggao

### COMPANY SECRETARY

Mr. Li Chi Chung

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton  
HM11  
Bermuda

### SHARE REGISTERED AND TRANSFER OFFICE

Tricor Tengis Limited  
26/F, Tesbury Centre  
28 Queen's Road East  
Hong Kong

### AUDIT COMMITTEE

Dr. Cheung Wai Bun, Charles, *J.P.* (*Chairman*)  
Mr. Zhang Yong  
Mr. Zeng Xianggao

### REMUNERATION COMMITTEE

Ms. Wang Wen Xia (*Chairman*)  
Dr. Cheung Wai Bun, Charles, *J.P.*  
Mr. Zhang Yong

### LEGAL COUNCIL

Bermuda  
Conyers Dill & Pearman  
Barristers and Attorneys  
Suite 2901, One Exchange Square  
Connaught Place  
Central, Hong Kong

### AUDITOR

CCIF CPA Limited  
20/F, Sunning Plaza  
10 Hysan Avenue  
Causeway Bay, Hong Kong

### PRINCIPAL BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited  
DBS Bank (Hong Kong) Limited

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 6305, 63/F  
Central Plaza  
18 Harbour Road  
Wanchai, Hong Kong

### TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

### CUSTODIAN

Bank of Communications Trustee Limited

### INVESTMENT MANAGERS

Pegasus Fund Managers Limited  
Atlantis Investment Management  
(Hong Kong) Limited

## Prime Investments Holdings Limited

The board (the “Board”) of directors (the “Directors”) of Prime Investments Holdings Limited (the “Company”) is pleased to present the interim report and unaudited condensed financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2008. The condensed financial statements have not been audited, but have been reviewed by CCIF CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). CCIF CPA Limited’s independent review report to the Board is included on page 25-26. The interim report has been reviewed by the Company’s Audit Committee.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the six months ended 31 December 2008

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
	<i>Note</i>	<b>2008</b>	<b>2007</b>
		<b>HK\$</b>	<b>HK\$</b>
Dividend income		<b>296,143</b>	28,768
Interest income		<b>755,841</b>	558,012
Other income		–	980
Realised (losses)/gains on the disposal of financial assets as fair value through profit or loss	4	<b>(20,044,085)</b>	9,414,643
Change in fair value of financial assets at fair value through profit or loss	4	<b>(42,057,588)</b>	6,779,000
Impairment loss of available-for-sale financial assets	9(b)	<b>(1,950,000)</b>	–
Administrative expenses		<b>(4,797,293)</b>	(4,266,517)
<b>Operating (loss)/profit</b>		<b>(67,796,982)</b>	12,514,886
Finance costs		–	(22,401)
<b>(Loss)/profit before taxation</b>	5	<b>(67,796,982)</b>	12,492,485
Taxation	6	–	(595,876)
<b>(Loss)/profit for the period</b>		<b>(67,796,982)</b>	11,896,609
<b>Interim dividend</b>	7	<b>Nil</b>	Nil
<b>(Loss)/earnings per share</b>	8		
Basic and diluted		<b>(2.72) cents</b>	1.44 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

As at 31 December 2008

		<b>Unaudited</b>	Audited
		<b>At 31</b>	At 30
		<b>December 2008</b>	June 2008
	<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>178,892</b>	211,910
Available-for-sale financial assets	9	<b>31,621,905</b>	33,571,905
		<b>31,800,797</b>	33,783,815
<b>Current assets</b>			
Financial assets at fair value through profit or loss	10	<b>68,794,568</b>	56,199,890
Amount due from a shareholder		<b>19,110</b>	19,110
Prepayments, deposits and other receivables	13	<b>25,350,558</b>	825,848
Cash and bank balances		<b>78,361,823</b>	180,817,111
		<b>172,526,059</b>	237,861,959
<b>Current liabilities</b>			
Other payables and accruals		<b>898,777</b>	578,820
Amount due to a related company		–	43,349
Tax payable		<b>86,994</b>	86,994
		<b>985,771</b>	709,163
<b>Net current assets</b>		<b>171,540,288</b>	237,152,796
<b>Net assets</b>		<b>203,341,085</b>	270,936,611
<b>Capital and reserves</b>			
Share capital		<b>24,835,340</b>	24,835,340
Reserves		<b>178,505,745</b>	246,101,271
		<b>203,341,085</b>	270,936,611
<b>Net asset value per share</b>	14	<b>8.2 cents</b>	10.9 cents

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2008

	For the six months ended 31 December 2008							Total HK\$
	Share capital HK\$	Share premium account HK\$	Capital reserve HK\$	Share option reserve HK\$	Investment Revaluation reserves HK\$	Exchange reserve HK\$	Accumulated losses HK\$	
At 1 July 2007	3,951,510	93,388,582	2,765,838	-	(3,500,000)	-	(38,014,819)	58,591,111
Impairment loss recognized In income statement	-	-	-	-	3,500,000	-	-	3,500,000
Equity settled share-based transactions	-	-	-	1,685,836	-	-	-	1,685,836
Issue of ordinary share	20,861,830	199,339,444	-	-	-	-	-	220,201,274
Exercise of share options	22,000	435,365	-	(105,365)	-	-	-	352,000
Share issue expenses	-	(1,775,216)	-	-	-	-	-	(1,775,216)
Exchange difference on translation of the financial statements of foreign subsidiary	-	-	-	-	-	2,879,637	-	2,879,637
(Loss) for the year	-	-	-	-	-	-	(14,498,031)	(14,498,031)
At 30 June 2008 and 1 July 2008	24,835,340	291,388,175	2,765,838	1,580,471	-	2,879,637	(52,512,850)	270,936,611
Equity settled share-based transaction	-	-	-	201,456	-	-	-	201,456
(Loss) for the period	-	-	-	-	-	-	(67,796,982)	(67,796,982)
At 31 December 2008	24,835,340	291,388,175	2,765,838	1,781,927	-	2,879,637	(120,309,832)	203,341,085

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2008

	Unaudited	
	Six months ended	
	31 December	
	2008	2007
	HK\$	HK\$
Net cash used in operating activities	(7,755,528)	(6,557,440)
Net cash used in investing activities	(94,699,760)	(42,105,051)
Net cash from financing activities	–	197,608,872
Net (decrease)/increase in cash and cash equivalents	(102,455,288)	148,946,381
Cash and cash equivalents at beginning of period	180,817,111	59,691,003
	<b>78,361,823</b>	208,637,384
Analysis of the balances of cash and cash equivalents:		
Cash and bank balances	<b>78,361,823</b>	208,637,384

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

### 1. BASIS OF PREPARATION

The unaudited interim financial statements for the six months ended 31 December 2008 have been prepared in accordance with the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historic cost basis except for the certain financial instruments which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited annual financial statements for the year ended 30 June 2008.

#### Convertible bonds

In the current period, the Company has acquired HK\$25,000,000 convertible bonds, the accounting policy for which is adopted as follows:

The convertible bonds acquired by the Company comprise the debt element and the conversion option element (conversion options embedded in convertible bonds) and are designated as financial assets at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, the entire convertible bonds are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise. Transaction costs that are directly attributable to the acquisition of the convertible bonds designed as financial assets at fair value through profit or loss are recognised immediately in the consolidated income statement.

The Group has not early adopted the following new and revised standards or interpretations Hong Kong Accounting Standards ("HKAS"s) that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financials position of the Group.

**2. PRINCIPAL ACCOUNTING POLICIES (Continued)**

HKFRSs (Amendments)	Improvements to HKFRS <sup>1</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>2</sup>
HKFRS 2 (Amendment)	Share-based Payment-Vesting Conditions and Cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business Combinations <sup>3</sup>
HKFRS 8	Operating Segments <sup>2</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>2</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners <sup>3</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

<sup>5</sup> Effective for annual periods beginning on or after 1 October 2008

<sup>6</sup> Effective for transfers on or after 1 July 2009

**3. SEGMENT INFORMATION**

No analysis of the Group's turnover, other income and contribution to operating profit for the period set out by principal activities and geographical markets is provided as the group has only one single business segment, investment holding, and less than 10% of the turnover and other income, results and assets of the Group are attributable to markets outside Hong Kong.

4. GAINS AND LOSSES ON INVESTMENTS

	Unaudited Six months ended 31 December	
	2008	2007
	HK\$	HK\$
Sale proceeds of securities held for trading	48,887,022	48,007,030
Less: Cost of securities disposed	<b>(68,931,107)</b>	(38,592,387)
Realised (losses)/gains on disposal of financial assets at fair value through profit or loss	<b>(20,044,085)</b>	9,414,643
Change in fair value of financial assets at fair value through profit or loss	<b>(42,057,588)</b>	6,779,000
Impairment loss of available-for-sale financial assets	<b>(1,950,000)</b>	–
Total net (losses)/gains on investments	<b>(64,051,673)</b>	16,193,643

Gains and losses presented above exclude dividend income.

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	Unaudited Six months ended 31 December	
	2008	2007
	HK\$	HK\$
Custodian fee	155,574	84,879
Depreciation	36,428	39,150
Investment management fee	514,855	368,925
Exchange loss	–	169,266
Operating leases charges for premises	441,340	376,620
Share-based payments (including amounts paid to staff of HK\$191,731)	201,456	–
Staff costs, including directors' emolument		
Salaries and allowances	1,774,028	866,533
Contributions to retirement benefits schemes	24,000	16,150
Share-based payments	191,731	–
	<b>1,989,759</b>	882,683

6. TAXATION

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$</b>	<b>HK\$</b>
Hong Kong Profits Tax		
– Provision for the current period	–	595,876

Hong Kong Profits Tax was provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit. No Hong Kong Profits Tax has been provided in the interim financial statements for the current period as all group entities did not derive any assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax is payable for other jurisdictions as the subsidiaries did not derive any assessable profits for both periods.

7. INTERIM DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 31 December 2008 (2007: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic earnings per share is based on the loss attributable to equity holders of the Company for the period of HK\$67,796,982 (2007: profit of HK\$11,896,609) and the weighted average number of 2,483,534,030 (2007: 824,663,033) ordinary shares in issue during the period.

There were no potential dilutive ordinary shares, the diluted (loss)/earnings per share is the same as basic (loss)/earnings per share for both periods.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>Unaudited</b>	Audited
	<b>At 31</b>	At 30
	<b>December 2008</b>	June 2008
	<b>HK\$</b>	<b>HK\$</b>
<b>Available-for-sale financial assets</b>		
Unlisted investment cost (a)	<b>41,521,905</b>	46,521,905
Impairment loss recognised (b)	<b>(9,900,000)</b>	(12,950,000)
	<b>31,621,905</b>	33,571,905
Unlisted equity investments, at fair value (b)	<b>100,000</b>	2,050,000
Unlisted equity investments, at cost less impairment (c)	<b>31,521,905</b>	31,521,905
	<b>31,621,905</b>	33,571,905

**9. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)**

Notes:

- (a) Sunkock Development Limited, in which the Group had 20% equity interest, was dissolved during the period. The investment cost of HK\$5,000,000, fully impaired at 30 June 2008, was fully written off.
- (b) As at 31 December 2008, the Company through a subsidiary, Sun Talent Investment Co., Ltd, holds 1.97% interest in Zhongshan Chinese Standard at cost of HK\$5,000,000 of which HK\$3,050,000 impairment was recognised at 30 June 2008. The directors of the Company reviewed its recoverable amount taking into account of the macroeconomics policies by the PRC government, in particular for the property development industry, and global financial turmoil. The directors of the Company are of the opinion that it would be unlikely to fully recover the interest in Zhongshan Chinese Standard. In consequence, an additional impairment loss of HK\$1,950,000 was recognised in the income statement for the period ended 31 December 2008.
- (c) The Company through a subsidiary, Globe Capital Resources Investment Limited, holds 20% interest in CWIG Disobingshan Windpower Company Limited ("CWIG") at cost of HK\$31,521,905, the directors considered that the Group cannot exercise significant influence on the financial and operating policies of CWIG and accordingly, it is classified as an available-for-sale investment. As CWIG is still at its early stage of development, the investment is stated at cost less impairment loss at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. No impairment on this investment was considered necessary by the directors at 31 December 2008.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited</b>	Audited
	<b>At 31</b>	At 30
	<b>December 2008</b>	June 2008
	<b>HK\$</b>	<b>HK\$</b>
Listed equity securities held for trading:		
– in Hong Kong	<b>45,225,858</b>	56,199,890
– outside Hong Kong	<b>4,043,297</b>	–
Market value of listed equity securities	<b>49,269,155</b>	56,199,890
Investment in convertible bonds, unlisted		
– Debt element of convertible bonds ( <i>note 11</i> )	<b>10,742,302</b>	–
– Conversion options embedded in convertible bonds ( <i>note 12</i> )	<b>8,783,111</b>	–
	<b>68,794,568</b>	56,199,890

The fair value of listed equity securities are determined based on the quoted market bid prices available on the relevant exchanges at the balance sheet date.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)**

As at 31 December 2008, the carrying amount of the Group's shareholding in the following Hong Kong listed company exceeded 10% of the total assets of the Group.

**China Water Affairs Group Limited ("China Water")**

China Water is principally engaged in water supply and water supply infrastructure in the PRC.

As at 31 December 2008, the Group held 25,094,000 shares (30 June 2008: 10,440,000 shares) with an aggregate value of approximately HK\$23,300,000 (30 June 2008: HK\$24,000,000) in China Water, representing 2% (30 June 2008: less than 0.01%) in the issued share capital in China Water. No dividend was received during the period. Based on the interim report of China Water as at 30 September 2008, the net assets of China Water were approximately HK\$2,058 million.

**11. INVESTMENT IN CONVERTIBLE BONDS**

On 22 September 2008, the Group acquired from Good Outlook Investments Limited, a wholly-owned subsidiary of China Water Affairs Group Limited (Stock Code: 855) the convertible bonds issued by China Botanic Development Holdings Ltd. ("CBDH"), a company listed on the main board of the Stock Exchange of Hong Kong Limited with a face value of HK\$25,000,000, which bear coupon rate of 3% per annum, at a cash consideration of HK\$30,000,000. The China Botanic Convertible Bonds due on 13 November 2017 is convertible into fully paid ordinary shares of CBDH with a par value of HK\$0.01 each at an initial conversion price of HK\$0.15, subject to adjustment on the occurrence of dilutive or concentrative event. The Group can exercise the conversion at anytime until the maturity date, provided that any conversion of the China Botanic Convertible Bonds does not trigger a mandatory offer obligation under The Hong Kong Code on Takeovers and Mergers. The China Botanic Convertible Bonds can be redeemed at 100% of the respective outstanding principal amount, together with their unpaid interest on maturity date. Further details of which have been set out in the Company's announcement and circular dated 25 November 2008 and 16 December 2008.

The China Botanic Convertible Bonds are separated into two components: the debt element and the conversion options element (note 12). The Group has classified the debt element of and the conversion options element of the China Botanic Convertible Bonds as financial assets at fair value through profit or loss and derivative financial instruments, which have been presented as the "Debt element of convertible bonds" and "Conversion options embedded in convertible bonds," respectively. The fair values of the debt element and the conversion options element of the China Botanic Convertible Bonds are determined by the directors of the Company with reference to the valuation performed by IBM Appraisals Limited, an independent firm of professional valuers. The decrease in the fair value of the debt element and the conversion options element of the China Botanic Convertible Bonds since the date of acquisition up to 31 December 2008 resulting in fair value loss of HK\$4,195,244 and HK\$9,387,040, respectively which have been recognised and included in the "Change in fair value of financial assets at fair value through profit or loss" in the consolidated income statement for the period ended 31 December 2008.

**11. INVESTMENT IN CONVERTIBLE BONDS (Continued)**

The carrying value of the debt element and conversion options element of the China Botanic Convertible Bonds are as follows:

	Debt element	Conversion option element <i>(note 12)</i>	Total
Fair value on acquisition on 22 September 2008	14,937,546	15,062,454	30,000,000
Change in fair value:			
– Charged to income statement	(4,195,244)	(6,279,343)	(10,474,587)
Net carrying amounts at 31 December 2008	<u>10,742,302</u>	<u>8,783,111</u>	<u>19,525,413</u>

**12. CONVERSION OPTIONS EMBEDDED IN CONVERTIBLE BONDS**

	Unaudited At 31 December 2008 HK\$	Unaudited At 22 September 2008 HK\$
Unlisted conversion options embedded in convertible bonds, at fair value <i>(note 11)</i>	<u>8,783,111</u>	15,062,454

As at 31 December 2008, convertible options embedded in convertible bonds represent the conversion options element of the China Botanic Convertible Bonds held by the Group (note 11).

The fair value of the conversion options element of the China Botanic Convertible Bonds was calculated using the Binomial model with the major inputs used in the model as follows:

	Unaudited At 31 December 2008
Stock price	HK\$0.088
Expected volatility	82.18%
Risk free rate	1.1865%
Expected dividend yield	<u>Nil</u>

Any changes in the major inputs into the model will result in changes in the fair value of the conversion options element of the China Botanic Convertible Bonds. The decrease in the fair value of the conversion options element of the China Botanic Convertible Bonds during the period ended 31 December 2008 in the amount of HK\$9,387,040, which has been recognised in the consolidated income statement for the period ended 31 December 2008 (2007: Nil).

**13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

At 31 December 2008, included in prepayment, deposits and other receivables the deposit of HK\$25,000,000 paid by the Group in relation to the acquisition of 25% equity interest in 新余水務置業有限公司 which is a company established in the PRC and principally engaged in property development in the PRC. The deposit is refundable with interest at the prime rate plus 1% subject to the due diligence review on the investment to be completed by 31 May 2009. In the opinion of the directors, the deposit paid is fully recoverable should the Company decide not to proceed with the acquisition.

**14. NET ASSET VALUE PER SHARE**

The calculation of net asset value per share is based on the net assets attributable to the equity holders of the Company of HK\$203,341,085 (30 June 2008: HK\$270,936,611) and 2,483,534,030 (30 June 2008: 2,483,534,030) ordinary shares in issue as at 31 December 2008.

**15. OPERATING LEASE COMMITMENTS**

At the balance sheet date, the Group had total future outstanding minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	<b>Unaudited At 31 December 2008 HK\$</b>	Audited At 30 June 2008 HK\$
Within one year	<b>1,369,710</b>	1,802,250
In the second to fifth years, inclusive	<b>345,000</b>	483,000
	<b>1,714,710</b>	2,285,250

**16. SHARE OPTIONS**

The estimated fair value of the 12,430,000 share options granted during the period ended 31 December 2008 is HK\$201,456 which was calculated using the Binomial Options Pricing Model (the "Model") as at the date of the grant of the share options. The followings are the inputs to the Model:

Share price:	HK\$0.049
Exercise price:	HK\$0.050
Expected volatility:	73.83%
Expected dividend yield:	0%
Risk free rate:	1.465%
Expected life of the share options:	4 years and 9 months

Expected volatility was determined by using the historical volatility of the share prices of the Company.

The Group recognised a total expense of approximately HK\$201,456 for the period ended 31 December 2008 (2007: Nil) in relation to the share options granted by the Company.

The Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

**17. RELATED PARTY TRANSACTIONS**

During the period, the Group entered into the following material related party transactions:

		<b>Unaudited</b>	
		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2008</b>	<b>2007</b>
	<i>Note</i>	<b>HK\$</b>	<b>HK\$</b>
Investment management fee paid to Pegasus Fund Managers Limited	(a)	<b>250,000</b>	368,925
Investment management fee paid to Atlantis Investment Management (Hong Kong) Limited	(b)	<b>264,855</b>	–
Legal advisory fees paid	(c)	<b>206,580</b>	748,823

(a) Pursuant to an investment management agreement dated 21 February 2006 and subsequently amended on 1 August 2006, Pegasus Fund Managers Limited (“Pegasus”), whereby Pegasus has agreed to provide investment management services to the Company for a period of three years effective from 1 August 2006. Pegasus is entitled to a management fee from the Company calculated at the following rates:

- (i) 2.5% per annum of the net asset value of the Group as at the immediately preceding valuation date on the basis of the actual number of days in the relevant calendar month over a year of 365 days, subject to a monthly minimum fee of HK\$41,667; and
- (ii) 10% of the surplus in net asset value of the Group over a financial year or period, which the surplus in the net asset value should be greater than HK\$30,000,000.

Mr. Pong Po Lam, an executive director of the Company, has 92% equity interest in Pegasus.

(b) Pursuant to an investment management agreement dated 18 April 2008 with Altantis Investment Management (Hong Kong) Limited (“Altantis”), whereby Altantis has agreed to provide investment management services to the Company for a period of three years effective from 13 May 2008. Altantis is entitled to receive a management fee calculated at the following rates:

- (i) 1% per annum of the market value of the portfolio; and
- (ii) a performance-related fee of 10% per annum of the appreciation in the market value of the portfolio.

(c) During the current period, Michael Li & Co, a company controlled by the Company secretary, Mr. Li Chi Chung provided various legal advisory services to the Company.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

The Group is principally engaged in the investments in the listed securities for short term and in the unlisted equities for medium and long term.

Last year saw the destructive impact of the unprecedented tsunami affected on almost every market and every economy. The US Sub-prime mortgage crisis has now evolved into a worldwide economic recession. With the collapse of the Lehman Brothers in the third quarter of 2008 triggered a global financial tsunami and global credit market squeeze. The prices of many listed companies become under valued. Such crisis in the financial and investment markets accelerate the trading volume of stock market decreasing and investment portfolio of the Group was affected in a certain degree. The Group suffered a loss of HK\$67,796,982 for the six months ended 31 December 2008 (the "Period") compared with a profit of HK\$11,896,609 for the same period last year, the loss was mainly attributable to realized losses on disposal of financial assets at fair value and unrealized losses on financial assets and convertible bonds at fair value.

The Group made an investment in wind power plant in 2008, which consists of 66 wind power generators with an installed capacity of 49.5 million watts in Diaobingshan, Liaoning Province, the People's Republic of China (the "PRC"). The wind power plant has been generating electricity since June 2008. Electricity supply is a regulated and controlled industry in the PRC, but wind power is clean, environmental friendly and regenerative, which conforms to the national energy industrial policy development requirement, the Board believes that this investment is a good opportunity for the Group to expand its investment portfolio to the sustained growing industry in the PRC which will generate stable return in medium and long-term for the shareholders.

### **FUTURE PROSPECT**

As the global financial tsunami develops, it is difficult to estimate what the market will hold in 2009. Although the global economic is depressed, the Group still holds a healthy working capital position, which enables the Group to look for more valuable investment opportunities across various sectors to diversify its business, especially in environmental friendly and sustainable development industries, such as the wind power, hydroelectric station etc. in the PRC. Also the management will continue to take a cautious and prudent approach in monitoring the Group's current investment portfolio and carefully assess all potential investments which ensure that the investment risk is under manageable level and at the same time maximize the Group's returns and offer stable returns for the shareholders.

## FINANCIAL REVIEW

### Liquidity and Financial Resource

As at 31 December 2008, the Group had cash and bank balance of HK\$78,361,823 (30 June 2008: HK\$180,817,111). Most of the cash and bank balance were placed in Hong Kong dollar and Renminbi deposits with banks in Hong Kong SAR and the PRC respectively. The current ratio (calculated as the current assets to the current liabilities) of the Group as at 31 December 2008 was approximately 17,502% (30 June 2008: 33,541%), gearing ratio (calculated as the long term loan to the total shareholders' equity) of the Group as at 31 December 2008 was zero (30 June 2008: zero). As at 31 December 2008, the Group had total equity of HK\$203,341,085 (30 June 2008: HK\$270,936,611).

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Since the Group mainly uses Hong Kong dollars and Renminbi to carry out its business transactions, the Board considers that the Group's exposure to fluctuation in exchange rates was insignificant.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2008, the interest and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

#### (a) Shares:

Name of Directors	Capacity and nature of interest	Number of Shares		Approximately percentage of shareholdings in the Company
		Long position	Short position	
Fung Cheuk Nang, Clement	Beneficial Owner	190,909,092	-	7.69%
Chan Po Fun, Peter (Note)	Corporation	510,000	-	0.02%

Note: Dr. Chan Po Fun, Peter is a beneficial shareholder of the entire issued capital of Concord Securities Company Limited, which directly holds 510,000 shares of the Company

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (Continued)**

**(b) Share options:**

Name of Directors	Capacity and nature of interest	Number of Shares		Approximately percentage of shareholdings in the Company
		Long position <i>(Note)</i>	Short position	
Wang Wenxia	Beneficial Owner	24,830,000	–	1.000%
Pong Po Lam, Paul	Beneficial Owner	1,700,000	–	0.068%
Ding Xiaobin	Beneficial Owner	800,000	–	0.032%
Cheung Wai Bun, Charles	Beneficial Owner	2,100,000	–	0.085%
Zhang Yong	Beneficial Owner	600,000	–	0.024%
Ma Jie	Beneficial Owner	10,000,000	–	0.403%
Chan Po Fun, Peter	Beneficial Owner	300,000	–	0.012%
Fung Cheuk Nang, Clement	Beneficial Owner	500,000	–	0.020%
Zeng Xianggao	Beneficial Owner	500,000	–	0.020%

*Note:* Share options to acquire ordinary shares of the Company, further details of which are set out in the section headed “Share option schemes” below.

## SHARE OPTION SCHEMES

In light of the requirements of Chapter 17 of the Listing Rules, the Company adopted a new Share Option Scheme (the "Scheme") on 15 January 2008. Under the Scheme, the Directors may grant options to those Participants who, in the opinion of the Board, have contributed or may contribute to the development and growth of the Group and any entity in which the Group holds any equity interest. The following table discloses movement in the Company's share options under the Scheme during the Period:

Name or category of participant	Number of share options				At 31 December 2008	Exercise Period	Exercise Price	Date of grant
	At 1 July 2008	Granted during the period	Exercise during the period	Lapsed during the period				
<b>Directors</b>								
Wang Wenxia	18,400,000	-	-	-	18,400,000	3 years	HK\$0.16	23 January 2008
	-	6,430,000	-	-	6,430,000	5 years	HK\$0.05	17 November 2008
	18,400,000	6,430,000	-	-	24,830,000			
Pong Po Lam, Paul	1,200,000	-	-	-	1,200,000	3 years	HK\$0.16	23 January 2008
	-	500,000	-	-	500,000	5 years	HK\$0.05	17 November 2008
	1,200,000	500,000	-	-	1,700,000			
Ding Xiaobin	500,000	-	-	-	500,000	3 years	HK\$0.16	23 January 2008
	-	300,000	-	-	300,000	5 years	HK\$0.05	17 November 2008
	500,000	300,000	-	-	800,000			
Cheung Wai Bun, Charles	1,300,000	-	-	-	1,300,000	3 years	HK\$0.16	23 January 2008
	-	800,000	-	-	800,000	5 years	HK\$0.05	17 November 2008
	1,300,000	800,000	-	-	2,100,000			
Zhang Yong	300,000	-	-	-	300,000	3 years	HK\$0.16	23 January 2008
	-	300,000	-	-	300,000	5 years	HK\$0.05	17 November 2008
	300,000	300,000	-	-	600,000			

## SHARE OPTION SCHEMES (Continued)

Name or category of participant	Number of share options				At 31 December 2008	Exercise Period	Exercise Price	Date of grant
	At 1 July 2008	Granted during the period	Exercise during the period	Lapsed during the period				
Ma Jie	8,000,000	-	-	-	8,000,000	3 years	HK\$0.16	23 January 2008
	-	2,000,000	-	-	2,000,000	5 years	HK\$0.05	17 November 2008
	8,000,000	2,000,000	-	-	10,000,000			
Chan Po Fun, Peter	-	300,000	-	-	300,000	5 years	HK\$0.05	17 November 2008
Fung Cheuk Nang, Clement	-	500,000	-	-	500,000	5 years	HK\$0.05	17 November 2008
Zeng Xianggao	-	500,000	-	-	500,000	5 years	HK\$0.05	17 November 2008
Qualified allotees in aggregate	3,300,000	-	-	-	3,300,000	3 years	HK\$0.16	23 January 2008
	-	800,000	-	-	800,000	5 years	HK\$0.05	17 November 2008
	3,300,000	800,000	-	-	4,100,000			
	33,000,000	12,430,000	-	-	45,430,000			

Save as disclosed in the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes" above, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO); or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in the sections headed "Directors' and chief executive's interests and short positions in shares and underlying shares" and "Share option schemes" above, at no time during the period was the Company, its subsidiaries or its fellow subsidiaries a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, so far as is known to the Directors and the chief executive of the Company, the following persons (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### (i) Substantial shareholders of the Company

Name of Shareholders	Notes	Capacity/nature of interest	Number of Shares		Approximately percentage of shareholdings in the Company
			Long position	Short position	
Duan Chuan Liang	1	Corporation and Beneficial Owner	452,820,908	–	18.23%
Asset Full Resources Limited	1	Beneficial Owner	427,890,908	–	17.23%
Poly Good Group Limited	2	Beneficial Owner	190,687,142	–	7.68%
Chan Yan Ting	2	Corporation	190,687,142	–	7.68%
Chung Kit Lai	2	Family Interest	190,687,142	–	7.68%
Upkeep Properties Limited	3	Beneficial Owner	150,000,000	–	6.04%
Tam Wo Quan	3	Corporation	150,000,000	–	6.04%

#### Notes:

- The entire issued capital of Asset Full Resources Limited is beneficially owned by Mr. Duan Chuan Liang. Mr. Duan Chuan Liang is also beneficially interested in 24,930,000 Shares. Mr. Duan Chuan Liang is deemed to be interested in 452,820,908 Shares.
- The entire issued capital of Poly Good Group Limited is beneficially owned by Mr. Chan Yan Ting. Mr. Chan Yan Ting and his spouse Chung Kit Lai are deemed to be interested in 190,687,142 Shares.
- The entire issued capital of Upkeep Properties Ltd is beneficially owned by Mr. Tam Wo Quan. Mr. Tam is deemed to be interested in 150,000,000 Shares.

### **SUBSTANTIAL SHAREHOLDERS (Continued)**

Save as disclosed above, as at 31 December 2008, the Directors and the chief executive of the Company were not aware of any other person (other than Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2008, the Group had 16 employees. The total staff cost of the Group for the Period was HK\$1,989,759 (2007: HK\$882,683). The remuneration package of the employees is determined by various factors including the employees' experience and performance, the market condition, industry practice and applicable employment law.

### **AUDIT COMMITTEE**

The Audit Committee comprises Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Zeng Xianggao, all of whom are independent non-executive directors of the Company. The Audit Committee has reviewed with the management of the Company, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

The Company's unaudited interim financial report for the six months ended 31 December 2008 has been reviewed by the Audit Committee and Messrs. CCIF CPA Limited, auditors of the Company.

### **REMUNERATION COMMITTEE**

The Company has established a remuneration committee in accordance with Appendix 14(B) of the Listing Rules. The remuneration committee comprises one executive Director, namely Ms. Wang Wenxia and two independent non-executive Directors, namely Dr. Cheung Wai Bun, Charles and Mr. Zhang Yong. The remuneration committee is principally responsible for formulating and making recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management of the Group.

## **INTERNAL CONTROL**

A sound and effective internal control system is important to safeguard the Shareholders' investment and the Company's assets. During the period, the Board reviewed and was satisfied with the effectiveness of the internal control system of the Group including financial, operation, compliance controls and risk management functions.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board is responsible for ensuring high standards of corporate governance are maintained and for accounting to Shareholders. The Company has applied the principles and complied with all the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules for the Period, except for the following deviations:

### **1. Code Provision A.2.1**

Under the code provision A.2.1 of the Code, the roles of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and CEO should be clearly established and set out in writing.

The positions of both chairman and CEO have been held by Ms. Wang Wenxia since 28 February, 2008 upon her appointment as chairman. Given the Group's current stage of development, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. Ms. Wang possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. The Board considers the present structure is more suitable for the Company because it can promote the efficient formulation and implementation of the Company's strategies.

### **2. Code Provision A.4.1**

Under the code provision A.4.1 of the Code, non-executive Directors should be appointed for a specific term and subject to re-election. However, the non-executive Directors have not been appointed for specific terms but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the six months ended 31 December 2008.

### **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 2008.

On behalf of the Board  
**Prime Investments Holdings Limited**  
**Wang Wenxia**  
*Chairman*

Hong Kong, 27 March 2009



**CCIF**

**CCIF CPA LIMITED**

20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay Hong Kong

**To the Board of Directors of  
Prime Investments Holdings Limited**  
(incorporated in Bermuda with limited liability)

### **Introduction**

We have reviewed the interim financial statements set out on pages 3 to 15, which comprise the condensed consolidated balance sheet of Prime Investments Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) as at 31 December 2008 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and fair presentation of these interim financial statements in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting.

Our responsibility is to express a conclusion on these interim financial statements, based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements as at 31 December 2008 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

**CCIF CPA Limited**

*Certified Public Accountants*

Hong Kong, 27 March 2009

**Leung Chun Wa**

Practising Certificate Number P04963