



Prime Investments Holdings Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 721

INTERIM REPORT 2006-07



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Pong Po Lam, Paul
Ms. Wang Wenxia, Wendy

Non-Executive Directors

Mr. Lan Ning
Dr. Chan Po Fun, Peter
Mr. Ding Xiaobin

Independent Non-Executive Directors

Dr. Cheung Wai Bun, Charles
Mr. Zhang Yong
Mr. Gu Qiu Rong

COMPANY SECRETARY

Mr. Li Chi Chung

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
HM11
Bermuda

SHARE REGISTERED AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

TRADING CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

0721

INVESTMENT MANAGER

Pegasus Fund Managers Limited
24th Floor, Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

LEGAL COUNSEL

Bermuda
Conyers Dill & Pearman
Barristers and Attorneys

AUDITORS

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

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 504, 5/F
Chinachem Tower
34-37 Connaught Road Central
Hong Kong



The Board of Directors (the “Board”) of Prime Investments Holdings Limited (the “Company”) is pleased to present the Interim Report and unaudited condensed accounts of the Company and its subsidiaries (the “Group”) for the six months ended 31 December 2006. The consolidated results, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six-months ended 31 December 2006, and the consolidated balance sheet as at 31 December 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 14 of this report.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed financial statements for the six months ended 31 December 2006 with the directors. In carrying out this review, the audit committee has obtained explanations from management.



CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006

		Six months ended 31 December (Unaudited)	
	Notes	2006 HK\$	2005 HK\$
TURNOVER	5	–	–
Other income	5	–	2,570
Administrative expenses		(1,603,120)	(1,613,946)
LOSS FROM OPERATING ACTIVITIES	6	(1,603,120)	(1,611,376)
Finance costs	7	(68,779)	(45,278)
LOSS BEFORE TAXATION		(1,671,899)	(1,656,654)
Taxation	8	–	–
NET LOSS FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		(1,671,899)	(1,656,654)
Dividend		Nil	Nil
LOSS PER SHARE	9		
Basic		3.48 cents	3.45 cents
Diluted		N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Notes	31.12.2006 (Unaudited) HK\$	30.6.2006 (Audited) HK\$
NON-CURRENT ASSETS			
Property, plant and equipment		60,651	75,837
Available-for-sale financial assets	11	6,500,000	6,500,000
		6,560,651	6,575,837
CURRENT ASSETS			
Prepayments, deposits and other receivables		221,091	129,481
Cash and bank balances		480,232	273,821
		701,323	403,302
CURRENT LIABILITIES			
Other loans	12	6,710,155	4,300,000
Other payables and accrued liabilities		1,153,980	2,116,139
Due to directors	13	3,712,036	3,205,298
		11,576,171	9,621,437
NET CURRENT LIABILITIES		(10,874,848)	(9,218,135)
TOTAL ASSETS LESS CURRENT LIABILITIES		(4,314,197)	(2,642,298)
NON-CURRENT LIABILITIES		–	–
NET ASSETS/ (LIABILITIES)		(4,314,197)	(2,642,298)
CAPITAL AND RESERVES			
Issued capital	14	480,000	480,000
Reserves		(4,794,197)	(3,122,298)
		(4,314,197)	(2,642,298)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 31 December 2006

	unaudited					
	Issued Capital HK\$	Share Premium HK\$	Investment Revaluation Reserve HK\$	Capital Reserve Reserve HK\$	Accumulated Losses HK\$	Total HK\$
At 1 July 2005	4,800,000	32,098,292	(3,500,000)	–	(32,249,294)	1,148,998
Amount waived by a shareholder (note)	–	–	–	2,765,838	–	2,765,838
Loss for the period	–	–	–	–	(1,656,654)	(1,656,654)
At 31 December 2005 and 1 January 2006	4,800,000	32,098,292	(3,500,000)	2,765,838	(33,905,948)	2,258,182
Capital Reduction (Note 15)	(4,320,000)				4,320,000	–
Loss for the period	–	–	–	–	(4,900,480)	(4,900,480)
At 30 June 2006 and 1 July 2006	480,000	32,098,292	(3,500,000)	2,765,838	(34,486,428)	(2,642,298)
Loss for the period	–	–	–	–	(1,671,899)	(1,671,899)
At 31 December 2005	480,000	32,098,292	(3,500,000)	2,765,838	(36,158,327)	(4,314,197)

Note: On 30 November 2005, a deed of waiver made between the Company and a shareholder, pursuant to which, the shareholder agreed to waive the debt of HK\$2,765,838 (including the amount of HK\$2,734,401 brought forward from 30 June 2005) due by the Company.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

For the six months ended 31 December 2006

	Six months ended 31 December (unaudited)	
	2006	2005
	HK\$	HK\$
Net cash outflow from operating activities	(907,113)	(850,431)
Net cash inflow from financing activities	1,113,524	1,447,000
Net increase/ (decrease) in cash and cash equivalents during the period	206,411	596,569
Cash and cash equivalents at the beginning of the period	273,821	11,223
Cash and cash equivalents at the end Of the period	480,232	607,792
Analysis of balance of cash and cash equivalents		
Cash and bank balances	480,232	607,792



NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and Hong Kong Accounting Standards ("HKASs") and Interpretations, the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed financial statements have been prepared under the historical cost basis except for available-for-sale financial assets which are measured at fair value. The accounting policies in the condensed financial statements are consistent with those adopted in the preparation of the annual financial statements of the Group for the year ended 30 June 2006 except for as described below:

In the current interim period, the Company has applied, for the first time, a number of new standards, amendments and interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 January 2006 respectively. The application of these new HKFRSs has no material effect on how the results of operations and financial position of the Company are prepared and presented.

The Company has not early applied the following new HKFRSs that have been issued but are not yet effective. The Company has commenced considering the potential impact of these new HKFRSs. The management anticipates the application of these new HKFRSs will have no material impact on how its results of operations and financial position are prepared and presented.

HKAS 1 (Amendment)	Capital disclosures ¹
HKFRS 7	Financial instruments: Disclosures ¹
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ²
HK(IFRIC)-INT 8	Scope of HKFRS 2 ³
HK(IFRIC)-INT 9	Reassessment of embedded derivatives ⁴

¹ Effective for annual periods beginning on or after 1 January 2007.

² Effective for annual periods beginning on or after 1 March 2006.

³ Effective for annual periods beginning on or after 1 May 2006.

⁴ Effective for annual periods beginning on or after 1 June 2006.

Comparative figures have been reclassified to conform with the current period's presentation.



3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) *Market price risk*

The Group has equity securities and debt securities which are classified on the consolidated balance sheet as available-for-sale financial assets. These are susceptible to market price risk arising from uncertainties about the future prices of the instruments. The Group's market price risk is managed through diversification of the investment portfolio ratios by exposures.

(b) *Credit risk*

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred by the balance sheet date, if any. The Group is responsible for monitoring the amount of credit exposure to any financial institution.

(c) *Liquidity risk*

The Group invests in both listed and unlisted securities. Those listed securities are considered readily realisable as they are listed in regulated stock exchanges. Those unlisted securities may not be traded in an organized public market and may be illiquid. As a result, the Group may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions.

4. INCOME AND 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).

5. TURNOVER AND OTHER INCOME

The Group is principally engaged in the investment in listed and unlisted companies. An analysis of the turnover and other income as follows:

	Six months ended 31 December (unaudited)	
	2006 HK\$	2005 HK\$
Turnover		
Proceeds from sale of trading securities	—	—
Other income		
Interest income	—	2,570



6. LOSS FROM OPERATING ACTIVITIES

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

	Six months ended 31 December (unaudited)	
	2006 HK\$	2005 HK\$
Staff costs (excluding directors' remuneration)		
Salaries and wages	216,000	201,032
Pension scheme contributions	10,800	9,589
	226,800	210,621
Depreciation	15,186	15,186

7. FINANCE COSTS

	Six months ended 31 December (unaudited)	
	2006 HK\$	2005 HK\$
Interest expenses on other loans	56,681	33,180
Loan from a director	12,098	12,098
	68,779	45,278

8. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Group did not generate any assessable profits during the six months ended 31 December 2006.

9. 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\$1,671,899 (six months ended 31 December 2005: loss of HK\$1,656,654) and the weighted average of 48,000,000 (six months ended 31 December 2005: 48,000,000) ordinary shares in issue during the period.

Diluted loss per share amounts has not been disclosed as there is no diluting events existed for both periods.

10. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 31 December 2006 (2005: Nil).



11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31.12.2006 HK\$	30.6.2006 HK\$
Unlisted equity securities, at fair value	6,500,000	6,500,000

12. OTHER LOANS

Except for an amount of HK\$1,500,000 due to a former director which bears interest at a rate of 3% per annum, which are repayable on or before 30 June 2007, the amounts of other loans are unsecured, interest-free and with no fixed repayment term.

13. DUE TO DIRECTORS

Except for an amount of HK\$1,000,000 due to a director which bears interest at a rate of 2.4% per annum, the amounts due to directors are unsecured, interest-free and repayable on or before 30 June 2007.

14. ISSUED CAPITAL

	Number of shares	30.6.2006 HK\$
Authorised:		
Ordinary shares of HK\$0.10 each	200,000,000	20,000,000
Subdivided each unissued share capital into 10 Shares of HK\$0.01 each (a)	1,800,000,000	—
	2,000,000,000	20,000,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	48,000,000	4,800,000
Capital reduction (a)	—	(4,320,000)
Ordinary shares of HK\$0.01 each	48,000,000	480,000
		31.12.2006 HK\$
	Number of shares	
Issued and fully paid:		
Ordinary shares of HK\$0.01 each	48,000,000	480,000

(a) Capital reduction

By a resolution passed at the extraordinary general meeting of the Company held on 6 April 2006, it was resolved that with effect from 9 May 2006:

- the nominal value of each of the issued share of HK\$0.1 each was reduced from HK\$0.1 each to New Share of HK\$0.01 each by canceling the issued share capital to the extent of HK\$0.09 on each of the issued share.
- each of the authorised but unissued share capital of the Company was sub-divided into 10 New Shares of HK\$0.01 each; and
- utilize the entire credit arising from the Capital Reduction of HK\$4,320,000 to eliminate part of the accumulated losses of the Company.



15. RELATED PARTY TRANSACTIONS

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

	Notes	31.12.2006 HK\$	30.6.2006 HK\$
Investment management fee payable to Pegasus Fund Managers Limited	(i)	150,000	–
Interest expenses payable to a director	(ii)	12,098	12,098

- (i) Pursuant to an investment management agreement dated 21 February 2006 and subsequently effected 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 from the Company a management fee calculated at the following rates:

- (1) 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\$30,000.
- (2) 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, Paul an executive director of the Company, has a 91.57% equity interest in the Investment Manager.

- (ii) The interest expense paid to a director of the Company related to advance granted, further details of which are included in note 13 to the financial statements.

16. BUSINESS REVIEW

For the six months ended 31 December 2006, the Group reported a loss of approximately HK\$1.67 million (2005 loss: HK\$1.66 million). The 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. The economy of the region within which we operate has shown positive signs of recovery, the Group had not made any investments during the period. 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, the Group did not benefit from the stock market rally.



17. PROSPECT

The Group is restructuring and consolidating its investments and tuning its financial position with an objective in minimizing losses which might arise from unsound investments, while strengthening investments with stable revenues.

On 2 November 2005, the Company and an investor entered into the Subscription Agreement, pursuant to which the Company agreed to allot and issue and the Subscriber agreed to subscribe in cash of HK\$8,000,000 for a total of 89,142,857 Subscription Shares which represents the Subscription Price of approximately HK\$0.0897 per Subscription Share. The investor has undertaken to the Company that, upon completion of the Subscription Agreement, an amount of HK\$5 million will be provided to the Company by way of shareholder's loan from the investor. The shareholder's loan shall be unsecured, with a term of three years and interest rate at 4.5% per annum. The Directors believe that the Subscription and the shareholder's loan can solve the financial difficulties of the Company and help the Company in long term development.

18. LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2006, the Group had cash and bank balance of HK\$480,232 (31 December 2005: HK\$607,792). Most of the cash and bank balances were placed in Hong Kong dollar deposits with a bank in Hong Kong SAR.

19. 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 2006 (2005: Nil).

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

At 31 December 2006, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

21. DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouse or minor children, 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.

22. EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2006, the Group employed a total of 2 employees. Total staff cost of the Group, excluding directors' remuneration, for the period amounted to HK\$216,000(2005: HK\$ 201,032). Employee's remuneration are fixed and determined with reference to the market rate.



23. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Note	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Oceanwide Investments Limited	(a)	Through a controlled corporation	8,500,000	17.71
Advance Elite Holdings Limited	(a)	Directly beneficially owned	8,500,000	17.71
Ms. Chan Sui Kuen	(b)	Through a controlled corporation	8,500,000	17.71
Mr. Deng Chi Yuan		Directly beneficially owned	4,830,000	10.06

Notes:

- (a) The ordinary shares are held by Advance Elite Holdings Limited, which is wholly-owned by Oceanwide Investments Limited.
- (b) Ms. Chan Sui Kuen was deemed to have substantial interest in 8,500,000 shares of the Company by virtue of her 12.08% indirect interest in Advance Elite Holdings Limited, which holds 8,500,000 shares of the Company, and being the spouse of a director, Mr. Lau Sze Shing, Edward, who has 28.75% indirect interest in Advance Elite Holdings Limited, of which their combined interest in the Company exceeded 5%.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

24. AUDIT COMMITTEE

The Company has established an audit committee in accordance with rule 3.21 of the Listing Rules. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 31 December 2006.



25. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, save as disclosed below, the Company has complied with the code provisions of the Code on Corporate Governance Practices, as set out in Appendix 14 of the Listing Rules, throughout the accounting period covered by the interim report.

Code Provision B.1.1 to B.1.4

The Company has not established a remuneration committee in view of the Company's simple structure and low staff cost (since the Company is being managed by its investment manager pursuant to the terms of written management agreement approved by the shareholders). The Board will reconsider establishment of remuneration committee periodically.

26. 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 during the period.

27. 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 period.

On behalf of the Board
Wang Wen Xia
CEO

Hong Kong SAR, 27 March 2007