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PRIME INVESTMENTS HOLDINGS LIMITED

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

(Stock Code: 721)

CONTINUING CONNECTED TRANSACTIONS: APPOINTMENT OF INVESTMENT MANAGER

The Board announces that on 21 February 2006, the Company had entered into an investment management agreement with Pegasus, whereby Pegasus has agreed to provide investment management services to the Company for a period of three years effective from the date of this announcement and expiring on the third anniversary thereof.

Mr. Pong Po Lam, an executive Director, is interested in approximately 91.57% of the issued share capital of Pegasus. Pegasus is therefore an associate of Mr. Pong and Pegasus is thus regarded as a connected person of the Company pursuant to Rule 14A.11(4) and Rule 21.13 of the Listing Rules, and the Investment Management Agreement constitutes continuing connected transactions on the part of the Company under the Listing Rules.

The transactions contemplated under the Investment Management Agreement (i) for the three years ending 30 June 2009 are subject to reporting and announcement requirements where no independent shareholders' approval is required pursuant to Rule 14A.34 of the Listing Rules as each of the annual caps for the three years is to be less than HK\$10 million; and (ii) for the one month period ending 31 July 2009 are exempted from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33 of the Listing Rules.

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 14 February 2005 and will remain suspended pending the demonstration by the Company to the satisfaction of the Stock Exchange that, among others, the continual listing of the Shares is warranted. Further announcement will be made by the Company as and when appropriate.

THE INVESTMENT MANAGEMENT AGREEMENT

Parties : (1) The Company; and
(2) Pegasus

Date : 21 February 2006

Terms of the Investment Management Agreement

Pursuant to the Investment Management Agreement, Pegasus was appointed as the investment manager of the Company to provide investment management services to the Company for a period of three years effective from the date of this announcement and expiring on the third anniversary thereof.

As the Investment Management Agreement is conditional upon the clearance of this announcement by the Stock Exchange, the Investment Management Agreement will become effective on the date of this announcement. As at the date hereof, no payment has been made by the Company to Pegasus pursuant to the Investment Management Agreement.

The appointment of Pegasus as the investment manager of the Company will be governed by the terms and conditions of the Investment Management Agreement. An investment management fee of 2.5% per annum of the Net Asset Value 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 will be payable by the Company. The investment management fee under the Investment Management Agreement is reached after arm's length negotiations between the Company and Pegasus and determined with reference to the prevailing market rates with reference to those charged by investment managers of other investment companies listed on the main board of the Stock Exchange.

Reasons for entering into the Investment Management Agreement

The investment management agreement entered into between Glory Investment Assets Limited and the Company had expired on 4 July 2005, and no investment manager was appointed since then. The Directors are of the view that entering into the Investment Management Agreement at this stage is in the interests of the Company and the Shareholders as a whole because, while the Company had not carried out any investment activities for some time due to lack of capital, the Directors have endeavored to pull the Company from the financial mire and back to normal operations by looking for new capital and investment opportunities for the Company. As stated in the circular of the Company dated 10 March 2006, the Company has identified new additional capital of HK\$8 million for the Group from the Subscription, and the Directors currently intend to use such capitals to repay the liabilities of the Group (rather than for investment purpose). In addition, the Company will be able to obtain a shareholder's loan of HK\$5 million after the completion of the Subscription, and the Directors currently intend to use such funding to invest in listed and unlisted companies. With such financial resources and investment plans under contemplation, the Directors consider the appointment of investment manager could assist the Company in reviewing the Group's current investments, identifying potential investments, and making appropriate recommendations relating to investments to the Company, which the Directors consider are in the interests of the Company and the Shareholders as a whole.

The Directors also consider that Pegasus might have better knowledge on the Company than other investment managers as (i) Pegasus had been appointed as the interim investment manager for the Company during the period from May 2001 to July 2001 and (ii) Mr. Pong Po Lam is a common director of Pegasus and the Company. As such, the Company entered into the Investment Management Agreement to appoint Pegasus to fill the vacancy following the expiration of the previous investment management agreement.

INFORMATION ON THE GROUP

The Company is an investment holding company incorporated on 12 July 2000 in the Cayman Islands as an exempted company with limited liability, and the issued Shares became listed on the Stock Exchange under Chapter 21 of the Listing Rules in 2001. The Group is principally engaged in the investment of listed and unlisted companies established and/or conducting business in Hong Kong and other parts of the PRC. As at 30 June 2005, the audited consolidated net asset value of the Group was approximately HK\$1.1 million. As at 30 June 2006, the unaudited consolidated net asset value per ordinary Share was approximately HK\$0.001.

The investment objective of the Company is to invest in listed and unlisted companies established and/or conducting business in Hong Kong and other parts of the PRC. As at the date of this announcement, the Company holds interests in three major investments in listed and unlisted companies established and/or conducting business in Hong Kong or the PRC. Pegasus is to be appointed to review and advise on the current investments held by the Company, identify potential investments and provide investment advisory services to the Group's investments in listed securities in Hong Kong.

INFORMATION ON PEGASUS

Pegasus is a registered investment adviser and licensed under the SFO to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities. It was founded in 1990 by a team of experienced fund managers and has managed funds, pension funds and discretionary portfolios for institutions and individual investors for over 16 years. Pegasus had been appointed as the interim investment manager for the Company for the period from May 2001 to July 2001, and it had acted as investment manager of Sino Katalytics Investment Corporation (formerly named as "China Northern Enterprises Investment Fund Ltd" (Stock code: 2324)) during the period from 2 October 2003 to 31 May 2004. Pegasus currently is not acting as investment manager for any investment companies listed on the Stock Exchange pursuant to Chapter 21 of the Listing Rules. The particulars of each of the directors of Pegasus and senior management of Pegasus who are involved in investment management are as follows:

Board of directors of Pegasus

Mr. Pong Po Lam, aged 49, an executive Director and managing director of Pegasus, is a licensed person for the regulated activities of type 4 (advising on securities) and type 9 (asset management) under the SFO. Mr. Pong has been the managing director of Pegasus since 1990 and responsible for management of investments on behalf of third party investors and managing a fund size of approximately HK\$24 million. He has worked in the fund management industry for nearly twenty years. He is also currently the executive director of several companies and funds most of which are related to the PRC and listed on the Stock Exchange. He is the chairman of Communication Sub-committee of The Institute of Financial Planners of Hong Kong, executive committee member of The Hong Kong Institute of Financial Analysts and Professional Commentators Ltd, China Sub-committee member of the Hong Kong Investment Funds Association, chairman of Investment and Fund Management Services of CEPA Business Opportunities Development Alliance, lecturer of HKU SPACE programme and a regular guest speaker at senior management training courses for several financial/insurance companies.

Mr. Pong has been the director of 3 ADI-Kallista Funds, namely “Kallista Arbitrage Strategies Fund”, “Kallista Credit Arbitrage Fund” and “Kallista CB Arbitrage Fund” since 2000 (which has managed AUM Euro 183 million and US\$59.2 million in total as at 31 October 2005). He is also an advisor of Great Wall Fund Management Co Ltd (which is a domestic fund house in China, managed RMB7.5 billion as at 5 August 2005). He was formerly a director of Gartmore Fund Managers (Far East) Limited. During the past 15 years, he has been appointed as a director of AGRI-AM SITC, a Securities and Investment Trust Corporation set up in Taiwan as a joint venture with Credit Agricole Group, and received mandates as advisor or trustee for several funds. He set up a joint-venture company with Lipper, a Wall Street famous company, in 1992 to carry out the fund ratings for Asian funds. He was appointed as a member of the Business Advisory Panel in 2000 by the Hong Kong Industrial Technology Centre Corporation. He is a graduate of the Chinese University of Hong Kong with a B.Sc. and an EMBA degree. He is also a Certified Financial Planner and a fellow of The Hong Kong Institute of Directors. Mr. Pong is an executive Director since 1 March 2001 and he was an executive director of Sino Catalytics Investment Corporation during the period from October 2003 to December 2005. Mr. Pong does not have any interest in the securities of the Company within the meaning of Part XV of the SFO. Mr. Pong is not aware of any other matters that need to be brought to the attention of the Shareholders. Apart from being a Director himself, Mr. Pong is not connected with any Directors, senior management of the Company, substantial or controlling Shareholders.

Mr. Chan Kit Man, Edmund, aged 47, an investment director of Pegasus, is a licensed person for the regulated activities of type 4 (advising on securities) and type 9 (asset management) under the SFO. Mr. Chan has over 18 years’ experience in management of investments on behalf of third party investors. Mr. Chan joined Pegasus since 1992 and responsible for management of investments on behalf of third party investors and managing a fund size of approximately HK\$24 million. Mr. Chan is a graduate of Columbia University and the University of California (Los Angeles) Graduate School of Management with a Master of Business Administration degree. Mr. Chan was formerly an executive director of CEF Investment Management Limited, where he worked for three years and managed assets for third party investors for over US\$100 million, including nine Far East unit trusts authorised by the SFC. Mr. Chan was also responsible for managing selected Far East portions of retirement schemes for local blue-clip companies. Mr. Chan has been in the financial services industry since 1981 and has worked for Gartmore Fund Managers (Far East) Limited for one year as Assistant Fund Manager to manage Gartmore HK Trust for the third party investors. Mr. Chan does not hold any directorship during the past three years in any company, the shares of which are listed on the Stock Exchange. Mr. Chan does not have any interest in the securities of the Company within the meaning of Part XV of the SFO. Mr. Chan is not aware of any other matters that need to be brought to the attention of the Shareholders. Mr. Chan is not connected with any Directors, senior management of the Company, substantial or controlling Shareholders.

Mr. Reinhold, Alain Jean Rene, aged 58, is an executive vice president and a member of the executive board at ADI – Alternative Investments SA (France), where he has been chief officer for finance, administration, and compliance since November 1999. During his tenure in Pegasus, Mr. Reinhold has not involved in investment management and he has no experience for managing assets for third parties. Nevertheless, Mr. Reinhold has accumulated years of experience in the financial sector. He is also currently involved with the regulatory and professional bodies in relation to alternative asset management. Prior to that, between 1988 and November 1999, he worked for Banque de Gestion Privee (Credit Agricole Group) (“BGP”) initially joining the capital markets department. During his time with BGP, he held the position of head of internal audit, and launched in 1992 the GIE Transboard, a partnership for administration and risk management between Banque de Gestion Privee and its subsidiaries, Transoptions (market making in options) and Transbourse (stockbroker), where he was chairman and chief operating officer. During this period, he was a member of the asset and liabilities management committee. In 1994, he was appointed as managing director of Euro Pacific Advisors Limited, the Asian asset management branch of Banque de Gestion Privee in Hong Kong, where he developed the asset management methodology, the range of products and the client base by initiating a joint venture in Taiwan (AGRI-AM) of which he was a director and vice chairman. Prior to that, he spent fifteen years at the head office and in several branches of Banque Nationale de Paris (“BNP”). He was company secretary of Banque Natiotresorerie, a subsidiary of BNP specialising in proprietary trading on capital markets. He is a graduate of the Ecole Superieure de Commerce de Paris (ESCP) and since 1989 has been a lecturer in risk and asset management at the Universite de Lyon. Mr. Reinhold is also a non-executive director of the manager, and a director of the Kallista funds.

Senior management of Pegasus

Mr. Chan, Wing Yau George, aged 51, is the investment director of Pegasus and the executive director of China Golden Development Holdings Ltd.. He was also the senior director of Principal Asset Management Company (Asia) Ltd, and has over 12 years of experience of fund management which managing assets for third parties.

Mr. Chan is a graduate of the University of Waterloo and holds an Honours Degree in Mathematics. He had been the director, general manager and chief investment officer of Dao Heng Fund Management Limited since June 1998. He was responsible for the overall management of the company, including fund performance (including managing investments for third parties) and business development. Mr. Chan was also engaged in the management of the Dao Heng MPF Master Trust Plan, Dao Heng Global Equities Fund and Dao Heng Global Selected Portfolios for the third party investors. Prior to joining Dao Heng Fund Management Limited, during the period from October 1995 to February 1998, Mr. Chan was a director of Peregrine Asset Management (HK) Limited and was engaged in the management of the Peregrine Pooled Retirement Fund, the Top Glory Prosperity Fund and the Peregrine Staff Retirement Scheme. Prior to joining Peregrine Asset Management, during the period from February 1993 to August 1995, Mr. Chan was an executive director of HSBC Asset Management Hong Kong Limited and the head of the institutional department and business development department and was engaged in the management of institutional and pension funds. Prior to joining HSBC Asset Management Limited, during the period from August 1987 to February 1993, Mr. Chan was a director of Jardine Fleming Investment Services Limited and was engaged in business development and client serving for institutional and pension funds. Prior to joining Jardine Fleming Investment Services Limited, during the period from September 1978 to September 1986, Mr. Chan was an assistant vice president of William Mercer Limited and was engaged in providing consultation on the design and setting up of employee benefits plans. Mr. Chan was the chairman of the Hong Kong Investment Funds Association China Sub-Committee during the period from 2002 to 2005 and was an executive member of the Hong Kong Retirement Scheme Association and Financial Services Advisory Committee of Hong Kong Trade Development Council. Mr. Chan is also a member of the board of management of the Chinese Permanent Cemeteries and an Investment Advisory Committee member of Sir Murray MacLehose Trust Fund since 1996. He was the Chairman of the Investment Committee of Ocean Park Corporation from 1997 to 2001, and was a board member of Ocean Park Corporation from 1992 to 2001. He is currently the Financial Advisor to Shenyang City SME Bureau of the PRC on overseas listing and financial matters for Shenyang enterprises in the PRC.

Mr. Nimmo, Walter Gilbert Mearns, aged 60, is an investment director of Pegasus and independent director of one listed company and a director of a Japanese hedge fund company. Mr. Nimmo was a vice president of Sino Katalytics Investment Corporation (previously known as China Northern Enterprises Investment Fund Ltd.) from 2003 to 2005.

Mr. Nimmo had managed the third party funds since 1987 and accumulated nearly 20 years' experience in managing investments for third parties. Nimmo is a graduate of Cambridge University and a member of the Institute of Chartered Accountants of Scotland. He has over 30 years of experience in accounting, finance and investment in the United Kingdom and Hong Kong. From 1974 until 1980, he was employed in financial control in the pharmaceutical and engineering industries in the UK before commencing his career in investment with Ivory & Sime Ltd. Ivory & Sime Ltd became a plc and was listed in 1983. In 1998 it merged with Friends Provident Asset Management and is now a subsidiary of F&C Asset Management plc. F&C Asset Management plc is currently listed on the London Stock Exchange and is one of the largest fund managers in the United Kingdom. Mr. Nimmo was initially responsible for analyzing and monitoring a wide range of projects, with a particular emphasis on technology stocks, working on two London listed investment trusts investing in the USA and UK. In 1987 he joined the Japanese team and subsequently became head of desk, managing US and European pension funds with a focus on small capitalization companies. In 1991, he moved to Hong Kong and recently was head of Far East Equities, responsible for the investment performance of funds of approximately US\$1 billion, comprising a wide range of life pension and retirement funds, unit trusts and investment trusts, with a team of five fund managers reporting to him. Mr. Nimmo assumed the primary responsibilities of asset allocation within Asia and supervision of the stock selection functions. From 1999 to 2002, he was concurrently a fund manager for Pacific Assets Trust plc, a London listed investment trust. He was also responsible for fixed income accounts, client liaison and presentations.

CONTINUING CONNECTED TRANSACTIONS

Mr. Pong Po Lam, an executive Director, is interested in approximately 91.57% of the issued share capital of Pegasus. Pegasus is therefore an associate of Mr. Pong and Pegasus is thus regarded as a connected person of the Company pursuant to Rule 14A.11(4) and Rule 21.13 of the Listing Rules, and the Investment Management Agreement constitutes continuing connected transactions of the Company under the Listing Rules.

The Directors currently expect that the proposed annual cap amounts for the investment management fee payable by the Company to Pegasus for each of the three years ending 30 June 2009 and the one month period ending 31 July 2009 will be approximately HK\$330,000, HK\$360,000, HK\$360,000 and HK\$30,000 respectively. Pursuant to the Investment Management Agreement, the investment management fee will be 2.5% per annum of the Net Asset Value 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 will be payable by the Company. In view of the Group's unaudited consolidated net asset value per ordinary Share of HK\$0.001 as at 30 June 2006 and taking into account the expected operations for the coming three years, the Directors consider that the investment management fee payable by the Company to the Investment Manager will not exceed the minimum fee of HK\$30,000 per month. The Directors therefore estimate the annual cap amount for each of the three years ending 30 June 2009 and the one month period ending 31 July 2009 based on monthly fee of HK\$30,000. If, for whatever reason, the fee to be paid by the Company to the Investment Manager exceeds the estimated annual cap amount, the Company will comply with the requirements of reporting, announcement and independent shareholders' approval pursuant to Rule 14A.36 of the Listing Rules.

Since each of the assets ratio and consideration ratio (as defined in the Listing Rules) for the one month period ending 31 July 2009 is expected to be less than 2.5% and the investment management fee payable to Pegasus is expected to be less than HK\$1,000,000, the transactions contemplated under the Investment Management Agreement for the one month period ending 31 July 2009 are exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33 of the Listing Rules. Since each of the assets ratio and consideration ratio (as defined in the Listing Rules) on an annual basis for each of the three years ending 30 June 2009 is more than 2.5% (based on the latest published information and the latest available average closing price of the Shares prior to trade suspension of the Company) and the annual investment management fee is less than HK\$10 million for the respective periods, the transactions contemplated under the Investment Management Agreement for each of the three years ending 30 June 2009 are subject to reporting and announcement requirements where no independent shareholders' approval is required under Rule 14A.34 of the Listing Rules. Accordingly, the Company discloses details of the continuing connected transactions by way of this announcement and will include the information in relation to the transactions disclosed herein in the next published annual report and accounts of the Company. Should the investment management fee in any financial year, however, exceeds the provision of Rule 14A.34 of the Listing Rules, the Company will comply with the applicable provisions under the Listing Rules and seek its shareholders' approval.

In addition to the reporting, announcement and independent shareholders' approval (as the case may be) requirements, the Investment Management Agreement is also subject to annual review by the independent non-executive Directors and the auditors of the Company pursuant to Rules 14A.37 to 14A.40 of the Listing Rules.

The Directors (including the independent non-executive Directors) consider the Investment Management Agreement has been entered on normal commercial terms and in the ordinary and usual course of business of the Company. Having reviewed the proposals from other potential investment managers, the Directors believe that the terms of the Investment Management Agreement are fair and reasonable as far as the independent Shareholders of the Company are concerned.

GENERAL

Trading in the Shares on the Stock Exchange was suspended at the request of the Company from 9:30 a.m. on 14 February 2005 and will remain suspended pending the demonstration by the Company to the satisfaction of the Stock Exchange that, among others, the continual listing of the Shares is warranted. Further announcement will be made by the Company as and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“associates”	has the meaning ascribed to this term in the Listing Rules
“Board”	the board of Directors
“Company”	Prime Investment Holdings Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and all its subsidiaries

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investment Management Agreement”	the investment management agreement dated 21 February 2006 entered into between the Company and Pegasus
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Net Asset Value”	the net asset value of the Company calculated in accordance with the provisions of the articles of association of the Company
“Pegasus”	Pegasus Fund Managers Limited, a registered investment adviser and licensed under the SFO to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities
“PRC”	People’s Republic of China, and for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the subscriber upon and subject to the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 2 November 2005 entered into between the Company and the subscriber in relation to the Subscription
“Valuation Date”	the last dealing day on the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the Net Asset Value
“Euro”	the lawful currency of those member states of the European Union that have adopted such currency
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

By the order of the Board
Prime Investments Holdings Limited
Wang Wen Xia
Director

Hong Kong, 1 August 2006

As at the date of this announcement, the Board comprises Ms. Wang Wen Xia and Mr. Pong Po Lam, Paul being the Executive Directors, Mr. Lan Ning, Dr. Chan Po Fun, Peter and Mr. Ding Xiaobin being the Non-Executive Directors and Dr. Cheung Wai Bun, Charles, Mr. Zhang Yong and Mr. Gu Qiu Rong being the Independent Non-Executive Directors.

Please also refer to the published version of this announcement in The Standard.