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# PRICERITE 寶惠

## PRICERITE GROUP LIMITED

(incorporated in Bermuda with limited liability)  
(Stock code #996)

# CASH 時富

## CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)  
(Stock code #1049)

### Proposed cooperation to develop retail business in the PRC Proposed Issue of Convertible Note and Resumption of Trading

### Possible very substantial disposal: Deemed Disposal and Resumption of Trading

The Board announces that on 23 May 2005, Pricerite Development, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with AustChina. Pursuant to the Cooperation Agreement, AustChina will be responsible for providing or procuring investors to provide funds of up to A\$100 million and Pricerite Development will be responsible for identifying investment opportunities and projects for retail business in the PRC. As the first step of the cooperation, on 23 May 2005, the Company and AustChina entered into the CN Agreement pursuant to which the Company has agreed to issue and AustChina has agreed to subscribe for the Convertible Note for HK\$108 million, subject to the conditions of the CN Agreement.

Upon full conversion of the Convertible Note, a maximum of 240,000,000 Shares (subject to adjustment to Conversion Price), representing about 24.18% of the existing issued share capital of the Company, will be issued. Accordingly, the issue of the Convertible Note is subject to the approval of, among other things, Shareholders in SGM.

The proceeds from the issue of the Convertible Note are intended to be used for developing retail business operations of the Group in the PRC. A potential location of the initial retail business operations in the PRC has been preliminarily proposed to be in Beijing lying directly opposite to the Beijing 2008 Olympic Games' Athletic Registration Centre which is at the heart of the city. However, no legally binding agreement or detailed plan for the retail business operations in the PRC has been reached. Further announcement will be made by the Company according to, and if required by, the Listing Rules if any legally binding agreement in respect of such initial retail business operations or further agreement under the Cooperation Agreement is entered into by the Group.

A circular containing, among other things, the details of the CN Agreement and the notice of the SGM will be despatched to the Shareholders as soon as practicable.

Based on the existing shareholding structure of the Company, should the conversion right attached to the Convertible Note be exercised in full, the resultant allotment and issue of the Conversion Shares by the Company will be regarded as a deemed disposal by CASH of shareholding interest in the Company and constitutes a possible very substantial disposal for CASH under the Listing Rules, which is subject to approval by the CASH Shareholders, and the Company will cease to be a subsidiary of CASH. A circular containing, among other things, details of the CN Agreement and the notice of the CASH SGM will be despatched to CASH Shareholders as soon as practicable.

Trading in the Shares on the Stock Exchange was suspended from 9:30 am on 23 May 2005. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 26 May 2005.

Trading in the shares in CASH on the Stock Exchange was suspended from 9:30 am on 24 May 2005. CASH has applied to the Stock Exchange for resumption of trading in its shares from 9:30 am on 26 May 2005.

#### INTRODUCTION

On 23 May 2005, Pricerite Development, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with AustChina and as the first step of the cooperation, on 23 May 2005, the Company and AustChina entered into the CN Agreement.

#### COOPERATION AGREEMENT

##### Date

23 May 2005

##### Parties

- (1) Pricerite Development, a wholly-owned subsidiary of the Company; and
- (2) AustChina, an independent third party, which is not a connected person of the Company (as defined under the Listing Rules).

##### Details of the Cooperation Agreement

The Cooperation Agreement is an exclusive arrangement between Pricerite Development and AustChina.

Pricerite Development will, with the joint force of AustChina, be responsible for identifying investment opportunities and projects relating to retail business in the PRC especially in Beijing, Shanghai and Guangzhou and preparing business plans in respect of investment opportunities and projects identified. Pricerite Development is a vehicle of the Group to develop the retail business in China. Before entering into the Cooperation Agreement, Pricerite Development did not maintain material business activities.

The group of AustChina, being the holding company of AustChina and its subsidiaries, specializes in supply and support of technologies, such as telecommunication, information technology solutions and innovations, through partnership with Australian companies, and facilitates the localization of specialized products to meet the specific needs of the China market. They are experienced in the areas of communication transmission equipment, telecommunication carriers and mobile service providers, the finance and banking sector and rail and air transportation. AustChina is an Australian private investment firm promoting a range of Australian products, such as technological related products and services, that target markets with high growth potential in China, and also engages in private investment in Beijing and Sydney. AustChina will be responsible for providing or soliciting investors to provide the funds required for developing the retail business in the PRC of up to A\$100 million without any referral fees or commission payable by Pricerite Development under the Cooperation Agreement. AustChina will also be responsible for the management of investors without any management fees payable by Pricerite Development thereafter. To the best knowledge of the Directors, AustChina does not fix or set aside a fund for the purpose of its private investments and it has not indicated to the Group any example of its private investments. The Company and CASH have undertaken that the funds will not be procured from any investor who is a connected person (as defined under the Listing Rules) of both the Company and CASH.

If AustChina or any investors procured by AustChina is interested in any investment opportunities and projects identified by Pricerite Development ("Proposed Investment Projects"), both parties will discuss on the details of the investment including without limitation to the amount of the investment and the form of the investment.

Once the detailed terms relating to the investment and amount of the investment are mutually agreed by the parties, AustChina or the investors identified by AustChina will provide the fund for investment of up to A\$100 million. The investment in any of the Proposed Investment Projects will be made through investment in the Company or any of its subsidiaries or associated companies with the form of such investment to be mutually agreed by the parties. AustChina has not provided any guarantee to the Company if no investors can be identified or the investment amount is less than A\$100 million.

Pricerite Development shall provide or procure its group companies to provide support for implementing the Proposed Investment Projects including all aspects of operations, management, arrangement of product supply, sales, back office and systems support.

Save as disclosed in this announcement, no investor or any other investment opportunity has been identified or any formal plan has been developed at the moment.

#### Reason for the Cooperation Agreement

The Directors believe that there are ample opportunities to develop retail business in the PRC especially in Beijing, Shanghai and Guangzhou. AustChina also solicits private investors to invest in the PRC and Sydney, and believes that it may be able to solicit investors to invest in the retail business of the Group in the PRC with the retail experience, well-established supply-chain infrastructure, and retail network of the Group in the PRC. The Board also believes that the capability of AustChina to raise new funds and its strong presence in Beijing and Sydney will help facilitate the Group's expansion into the PRC retail market. AustChina and the Group then join in hand to develop the PRC retail business.

#### Term

The Cooperation Agreement will come into effect on 23 May 2005 and remain in force up to 31 October 2005 unless it is terminated by mutual agreement in writing of Pricerite Development and AustChina. The terms are arrived at arm's length negotiation between Pricerite Development and AustChina. Since the Cooperation Agreement is an exclusive arrangement, it is not in the interest of both parties for a lengthy contract term in case both parties cannot identify or agree on any investment or project under the terms of the agreement.

#### CN AGREEMENT

##### Date

23 May 2005

##### Parties

Issuer : the Company  
The subscriber : AustChina, an independent third party, which is not a connected person of the Company (as defined under the Listing Rules)

##### Conditions

The issue of the Convertible Note is conditional upon, among other things,:-

- (a) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Conversion Shares; and
- (b) the approval of the CN Agreement by the Shareholders in SGM.

The Conditions are required to be fulfilled on or before 31 July 2005, or such later date as may be agreed between the Company and AustChina. If the Conditions are not fulfilled by such date, the CN Agreement will terminate without any clause of damages against each other.

##### Completion

The CN Agreement shall be completed within 2 business days (or any extended period as agreed by the Company) after the CN Agreement becoming unconditional.

#### CONVERTIBLE NOTE

The principal terms of the Convertible Note proposed to be issued are set out below.

##### Principal terms

Consideration : HK\$108,000,000 in cash  
Principal amount : HK\$108,000,000  
Conversion Price : HK\$0.45 (subject to adjustment) per Conversion Share, determined on an arm's length basis between the Company and AustChina, being:

- about 53.1% discount to the closing price of HK\$0.96 per Share on 20 May 2005 (the last trading day prior to the date of this announcement);
- about 48.9% discount to the average closing price of about HK\$0.88 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 20 May 2005;
- about 51.1% discount to the average closing price of about HK\$0.92 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 20 May 2005;
- about 2.2% discount to the average closing price of about HK\$0.46 per Share based on the closing prices as quoted on the Stock Exchange for the 3 months ended on 20 May 2005;
- about 12.5% premium to the average closing price of about HK\$0.40 per Share based on the closing prices as quoted on the Stock Exchange for the 6 months ended on 20 May 2005;
- about 80% premium to the adjusted unaudited net asset value per Share of HK\$0.25 per Share as at 20 May 2005.

Having taken into account that the share price of the Company has increased substantially recently, although the Conversion Price represents discounts to the recent closing prices, on the basis that the Conversion Price also represents (i) respective discount of about 2.2% and premium of about 12.5% to the average closing prices of about HK\$0.46 per Share and HK\$0.40 per Share based on the closing prices as quoted on the Stock Exchange for the 3 months and 6 months ended on 20 May 2005, and (ii) a premium of about 80% to the adjusted unaudited net asset value per Share of HK\$0.25 per Share as at 20 May 2005, the Directors are of the opinion that the Conversion Price is fair and reasonable and in the interests of the Company and Shareholders as a whole

Interest rate : the Convertible Note bears no coupon rate. The effective yield to maturity is zero

Repayment right	:	at the discretion of the Company any time after the issue of the Convertible Note but prior to the maturity date (as described below)
Conversion right	:	at the discretion of any of the Company or AustChina
Conversion period	:	any time after the expiry of 6 months from the issue date of Convertible Note and ending on the maturity date
Maturity date	:	31 August 2007, or any other date mutually agreed between the Company and AustChina, on which all outstanding principal amount of the Convertible Note together with the accrued interest thereon shall be fully repaid
Transferability	:	The Convertible Note will be transferable with the consent of the Company only to persons who are not connected person of the Company (as defined under the Listing Rules) (save for the wholly-owned subsidiaries of AustChina which shall not require the consent of the Company)

#### Conversion Shares to be issued upon conversion

The Conversion Shares to be issued upon conversion of the Convertible Note will rank pari passu in all respects with the Shares then in issue at the relevant dates of conversion.

Upon full conversion of the Convertible Note by AustChina, AustChina may become a substantial Shareholder holding more than 10% of the issued share capital of the Company as enlarged by the Conversion Shares. Assuming that the Convertible Note is converted at the initial Conversion Price, a total of 240,000,000 Conversion Shares, representing approximately 24.18% of the existing issued share capital of the Company, and approximately 19.47% of the issued share capital of the Company as enlarged by the Conversion Shares, will be issued by the Company. AustChina does not indicate if it has any present intention to convert the Convertible Note into Share(s).

#### Voting rights of the holder of the Convertible Note

The holder of the Convertible Note will not have any right to vote at the general meetings of the Company by virtue of its being the holder of the Convertible Note.

#### Listing of the Convertible Note

No listing of the Convertible Note will be sought on the Stock Exchange or any other stock exchange. However, the Company will apply for the listing on the Stock Exchange of the Conversion Shares issuable upon the conversion of the Convertible Note.

#### SHAREHOLDING STRUCTURE

The shareholding structures of the Company currently and after the full conversion of the Convertible Note are as follows:

Shareholder	Existing		Upon full conversion of Convertible Note	
	Number of Shares	%	Number of Shares	%
CIGL* and its subsidiaries	443,572,587	44.69	443,572,587	35.99
Directors	14,333,333	1.44	14,333,333	1.16
AustChina	0	0.00	240,000,000	19.47
Public	534,620,225	53.87	534,620,225	43.38
<b>Total</b>	<b>992,526,145</b>	<b>100.00</b>	<b>1,232,526,145</b>	<b>100.00</b>

\* a wholly-owned subsidiary of CASH

#### USE OF PROCEEDS AND THE REASONS FOR THE ISSUE OF THE CONVERTIBLE NOTE

The proceeds from the issue of the Convertible Note are intended to be used for developing retail business operations of the Group in the PRC. A potential location of the initial retail business operations in the PRC has been preliminarily proposed to be in Beijing lying directly opposite to the Beijing 2008 Olympic Games' Athletic Registration Centre which is at the heart of the city. However, no legally binding agreement or detailed plan for the retail business operations in the PRC has been reached. Further announcement will be made by the Company according to, and if required by, the Listing Rules if any legally binding agreement in respect of such initial retail business operations or further agreement under the Cooperation Agreement is entered into by the Group.

The Directors have considered various ways of fund raising and consider that the issue of the Convertible Note is the most appropriate means of raising additional fund for the Company as it is interest-free with a non-convertible period of 6 months while leaving the Company a conversion right thereunder to allow the Company with a flexibility on redemption or capitalizing the funds from the issue of the Convertible Note. The Directors consider that the issue of the Convertible Note will provide the Company with immediate funding without immediate dilution of the shareholding of the existing Shareholders and, if the conversion rights attached to the Convertible Note are exercised, the capital base of the Company will be enlarged. The proceeds from the issue of the Convertible Note will be used for specific purpose for developing retail business operation of the Group in the PRC which may be identified by the Group as mentioned in the above section headed "Cooperation Agreement", and the purpose of which is different from the purposes of the funds raised in March and April 2005 as disclosed below. The issue of the Convertible Note will allow the Company to capture any investment opportunity (including the one mentioned above) once it has been identified and mutually agreed between Pricerite Development and AustChina.

#### INCREASE IN AUTHORISED SHARE CAPITAL

In order to facilitate the issue of any Shares that may be issuable (other than the Conversion Shares), an ordinary resolution will be proposed at the SGM to increase the authorised share capital of the Company from 1,500,000,000 Shares to 3,000,000,000 Shares by the creation of an additional 1,500,000,000 Shares.

#### FINANCIAL INFORMATION ON THE GROUP

The audited consolidated net losses before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2003 were both about HK\$29.9 million, and the audited consolidated net losses before and after taxation, minority interest and extraordinary items of the Group for the year ended 31 December 2004 were both HK\$82.6 million. The audited consolidated net assets of the Group as at 31 December 2004 was about HK\$150.3 million.

#### FUND RAISING OF THE COMPANY FOR THE PAST 12 MONTHS

- In September 2004, the Company completed a rights issue and had raised new capital of around HK\$46 million which was used as to approximately HK\$25 million for the purchases for the international business, as to HK\$15 million for reserve funds for development of international business and as to the remaining HK\$6 million for general working capital, being the same purpose as disclosed in the Company's announcement dated 25 August 2004.
- On 24 March 2005, the Company announced for a new share issue of the new Shares to raise the net proceeds of around HK\$23.2 million which were intended to be used as general working capital of the Group. No such fund has been utilised up to the date of this announcement.
- On 4 April 2005, the Company announced for a placement of 223 million Shares to raise the net proceeds of around HK\$65.7 million which were intended to be used for the expansion of the retail business of the Group in Eastern China, Southern China and Northern China and as general working capital for the Group. The issue of the 223 million Shares was completed on 19 May 2005. No such fund has been utilised up to the date of this announcement.

Save for the aforesaid, the Company had no fund raising activity in the past 12 months.

#### POSSIBLE VERY SUBSTANTIAL DISPOSAL BY CASH

The principal activities of CASH, the holding company of the Company, and its subsidiaries consist of (i) financial services provided via CASH Financial Services Group Limited and its subsidiaries including online and traditional brokerage of securities, options, futures, and leveraged foreign exchange contracts as well as mutual funds and insurance-linked investment products, margin financing, corporate finance and other financial services; (ii) retailing of furniture and household items via the Company; (iii) investment holding including property investment; and (v) brand management.

Based on the existing shareholding structure of the Company, should the conversion right attached to the Convertible Note be exercised in full, the resultant allotment and issue of the Conversion Shares by the Company will be regarded as a deemed disposal by CASH of shareholding interest in the Company and constitutes a possible very substantial disposal for CASH under the Listing Rules, which is subject to approval by CASH Shareholders, and the Company will cease to be a subsidiary of CASH. AustChina, the subscriber of the Convertible Note, is independent of CASH and its connected persons (as defined under the Listing Rules). If the Convertible Note is converted into Conversion Shares in full, CASH will record a profit of about HK\$17,507,000.

Having taken into account that the share price of the Company has increased substantially recently, although the Conversion Price represents discounts to the recent closing prices, on the basis that the Conversion Price also represents (i) respective discount of about 2.2% and premium of about 12.5% to the average closing prices of about HK\$0.46 per Share and HK\$0.40 per Share based on the closing prices as quoted on the Stock Exchange for the 3 months and 6 months ended on 20 May 2005, and (ii) a premium of about 80% to the adjusted unaudited net asset value per Share of HK\$0.25 per Share as at 20 May 2005, the directors of CASH are of the opinion that the Conversion Price is fair and reasonable and in the interests of CASH and the CASH Shareholders as a whole.

#### GENERAL

Applications will be made by the Company to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Conversion Shares.

A circular containing, among other things, the details of the CN Agreement and the notice of the SGM will be despatched to the Shareholders as soon as practicable. In the SGM, resolutions will be proposed to consider, and if thought fit, to approve (i) the CN Agreement; and (ii) the increase of the authorised share capital of the Company from 1,500,000,000 Shares to 3,000,000,000 Shares.

A circular containing, among other things, details of the CN Agreement and the notice of the CASH SGM will be despatched to CASH Shareholders as soon as practicable. In the CASH SGM, resolution will be proposed to consider, and if thought fit, to approve the possible deemed disposal of the shareholding interest in the Company by CASH as a result of allotment and issue of the Conversion Shares by the Company upon conversion of any part of the Convertible Note into Conversion Shares.

Trading in the Shares on the Stock Exchange was suspended from 9:30 am on 23 May 2005. The Company has applied to the Stock Exchange for resumption of trading in the Shares from 9:30 am on 26 May 2005.

Trading in the shares in CASH on the Stock Exchange was suspended from 9:30 am on 24 May 2005. CASH has applied to the Stock Exchange for resumption of trading in its shares from 9:30 am on 26 May 2005.

#### DEFINITIONS

"Associates"	has the same meaning ascribed in the Listing Rules
"AustChina"	AustChina Information Technology Pyt Limited, a corporation incorporated in Australia and an independent third party, which is not a connected person of the Company as defined under the Listing Rules, and the Group did not have any past business relationship or dealing with the AustChina
"Board"	the board of the Directors
"CASH"	Celestial Asia Securities Holdings Limited, the holding company of the Company, a company incorporated in Bermuda with limited liability and which securities are listed on the main board of the Stock Exchange
"CASH SGM"	the special general meeting of CASH to be held to approve the deemed disposal of interest in the Company by CASH as a result of allotment and issue of the Conversion Shares by the Company upon conversion of any part of the Convertible Note into Conversion Shares
"CASH Shareholders"	holders of shares of CASH
"CN Agreement"	the agreement entered into between the Company and AustChina on 23 May 2005 in relation to the proposed issue of the Convertible Note
"Cooperation Agreement"	the agreement entered into between Pricerite Development and AustChina on 23 May 2005 in relation to the proposed cooperation to develop retail business in the PRC
"CIGL"	Celestial Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and is the controlling Shareholder, and a wholly-owned subsidiary of CASH
"Company"	Pricerite Group Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
"Conditions"	the conditions of the CN Agreement as set out in the sub-section headed "Conditions" in this announcement
"Conversion Price"	HK\$0.45 (subject to adjustment) per Conversion Share
"Conversion Share(s)"	the new Shares issuable upon the conversion of any part of the Convertible Note
"Convertible Note"	the convertible note of the initial principal amount of HK\$108,000,000 to be convertible into Shares at the Conversion Price proposed to be issued by the Company, and which terms are set out in the section headed "CN Agreement" in this announcement
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Pricerite Development"	Pricerite Development Limited, a wholly-owned subsidiary of the Company
"SGM"	the special general meeting of the Company to be held to approve, inter alia, the CN Agreement
"Share(s)"	share(s) of HK\$0.02 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"A\$"	Australian dollar(s)
"HK\$"	Hong Kong dollar(s)

On behalf of the Board  
**Bankee P Kwan**  
Chairman

On behalf of the board of CASH  
**Bankee P Kwan**  
Chairman

As at the date hereof, the executive directors of the Company are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Ms Kwok Lai Ling Elaine, Mr Leung Siu Pong James, Mr Li Yuen Cheuk Thomas, and the independent non-executive directors are Dr Hui Ka Wah Ronnie, Mr Lai Wai Kwong Daryl and Mr Lo Ming Chi Charles.

As at the date hereof, the executive directors of CASH are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Wong Kin Yick Kenneth, Mr Miao Wen Hao Felix, Ms Kwok Oi Kuen Joan Elmond, Mr Li Yuen Cheuk Thomas, the independent non-executive directors are Dr Chan Hak Sin, Mr Leung Ka Kui Johnny and Mr Wong Chuk Yan.

Hong Kong, 25 May 2005