
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Pricerite Group Limited, you should at once hand this circular and the enclosed form of proxy to the purchaser or transferee or to the bank, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is published for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for shares in Pricerite Group Limited.

PRICERITE 寶惠 **PRICERITE GROUP LIMITED**

(incorporated in Bermuda with limited liability)

(Stock code #996)

PROPOSED PLACING OF NEW SHARES, PROPOSED INCREASE OF AUTHORIZED SHARE CAPITAL AND NOTICE OF SPECIAL GENERAL MEETING

This circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Pricerite Group Limited. The directors of Pricerite Group Limited collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

A notice convening a special general meeting of Pricerite Group Limited to be held at 9:30 am on Friday, 13 May 2005 is set out on page 11 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish.

25 April 2005

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise :

“Agreement”	the placing agreement dated 4 April 2005 and entered into between the Company and the Placing Agent in relation to the Placing
“Announcement”	the joint announcement made by the Company and CASH on 4 April 2005 in respect of, among other things, the Placing
“Associates”	has the same meaning as ascribed thereto under the Listing Rules
“Board”	the board of 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 Board”	the board of directors of CASH
“Company”	Pricerite Group Limited, a company incorporated in Bermuda with limited liability and which securities are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	21 April 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares by the Placing Agent on a best effort basis pursuant to the Agreement

DEFINITIONS

“Placing Agent”	Celestial Securities Limited, being a corporation licensed under SFO to conduct types 1 and 3 regulated activities under SFO, and a non-wholly owned fellow subsidiary of the Company
“Placing Price”	\$0.30 per Placing Share
“Placing Share(s)”	a total of 223,000,000 new Shares having been arranged to be conditionally placed by the Placing Agent on a best effort basis under the Agreement
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	a special general meeting of the Shareholders convened to be held on 13 May 2005 for approving the Placing, the issue of the Placing Shares and the Share Capital Increase
“Share Capital Increase”	the proposed increase of the authorized share capital of the Company from \$15,000,000 to \$30,000,000 by the creation of additional 750,000,000 new Shares
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) of \$0.02 each in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Shares”	the 83,000,000 new Shares having been issued by the Company at an issue price of \$0.28 each as announced by the Company on 24 March 2005
“\$”	Hong Kong dollar(s)

LETTER FROM THE BOARD

PRICERITE 寶惠
PRICERITE GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #996)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee

LAW Ping Wah Bernard

KWOK Lai Ling Elaine

LEUNG Siu Pong James

LI Yuen Cheuk Thomas

Independent Non-executive:

HUI Ka Wah Ronnie

LAI Wai Kwong Daryl

LO Ming Chi Charles

Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Principal Place of Business

21/F The Center

99 Queen's Road Central

Hong Kong

25 April 2005

To Shareholders

Dear Sir/Madam,

**PROPOSED PLACING OF NEW SHARES,
PROPOSED INCREASE OF AUTHORIZED SHARE CAPITAL
AND
NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

By the Announcement, the Board and the CASH Board jointly announced that the Agreement was entered into between the Company and the Placing Agent in relation to the Placing. In addition, in order to facilitate the Placing, it was also announced that, subject to the Shareholders' approval in the SGM, the Company would carry out the Share Capital Increase.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information on the Placing and the Share Capital Increase and to give you notice for convening the SGM at which necessary resolutions will be proposed to seek your approval.

THE AGREEMENT

- Date: 4 April 2005
- Issuer: The Company
- Placing Agent: Celestial Securities Limited, being a corporation licensed under SFO to conduct types 1 and 3 regulated activities under SFO, and a non-wholly owned fellow subsidiary of the Company
- Placees: The Placing Agent has procured more than 10 placees (please refer to the paragraph headed “The Placing Agent and the placees” below for more details)
- Placing Shares: A total of 223,000,000 new Shares having been arranged to be conditionally placed on a best effort basis by the Placing Agent, which represent approximately 29.75% of the existing issued share capital of the Company (including the Subscription Shares), and approximately 22.93% of the issued share capital of the Company as enlarged thereby
- Ranking of the Placing Shares: The Placing Shares, when issued and fully paid, will rank *pari passu* in all respects with the then existing Shares as at the date of allotment
- Placing Price: \$0.30 per Placing Share, determined on an arm’s length basis between the Company and the Placing Agent with reference to the prevailing market prices of the Shares before the conclusion of the Agreement, being:
- about 31.03% discount to the closing price of \$0.435 per Share on 31 March 2005 (the last trading date prior to the suspension of the trading in the Shares on 1 April 2005);

LETTER FROM THE BOARD

- about 26.65% discount to the average closing price of about \$0.409 per Share based on the closing prices as quoted on the Stock Exchange for the 5 trading days ended on 31 March 2005;
- about 15.73% discount to the average closing price of about \$0.356 per Share based on the closing prices as quoted on the Stock Exchange for the 10 trading days ended on 31 March 2005;
- about 43.40% discount to the closing price of \$0.530 per Share on the Latest Practicable Date

The net price of each Placing Share is approximately \$0.295 and the Board is of the view that the Placing Price is fair and reasonable to the Company and the Shareholders as a whole

Conditions of the
Placing:

The Placing is conditional upon, inter alia,:

- (a) the approval by the Shareholders of the Placing, the issue of the Placing Shares and the Share Capital Increase in SGM; and
- (b) the approval of the listing of and permission to deal in the Placing Shares by the Listing Committee of the Stock Exchange

If the conditions of the Placing are not fulfilled by 31 May 2005 (or such later date as may be agreed by the parties to the Agreement), the Agreement shall lapse

Placing commission:

The Placing Agent is entitled to receive at completion of the Placing a placing commission of 1.25% (a normal placing commission rate in market) on the aggregate placing amount received for the Placing Shares placed by the Placing Agent

Completion:

Completion shall take place on the third business day following the fulfilment of all the conditions of the Placing or any other date as the Company and the Placing Agent may mutually agree

LETTER FROM THE BOARD

THE PLACING AGENT AND THE PLACEES

The Placing Agent is a licensed corporation under SFO and its principal business is dealing and trading in securities and is a non-wholly owned fellow subsidiary of the Company. As announced by the Company on 8 April 2005, the Placing Agent has conditionally arranged to place the Placing Shares to more than 10 placees who, to the best knowledge of the Directors, are not connected persons of the Company as defined in the Listing Rules. In addition, to the best knowledge of the Directors, the placees who will hold 5% or more in the enlarged issued share capital of the Company immediately upon completion of the Placing based on the enlarged issued share capital of 972,692,812 Shares are as follows:–

Name of placees	Number of Placing Shares
Chan Kwong Yin William	60,000,000
Chan Koung Nam	60,000,000
	<hr/>
	120,000,000
	<hr/> <hr/>

- * The placees were procured by the Placing Agent or its sub-agents, all of which are licensed corporation under SFO to conduct type 1 activity. To the best knowledge of the Directors, the placees are not connected persons of the Company as defined in the Listing Rules, and they currently do not have any business relationship with the Group.

REASON FOR THE PLACING AND USE OF PROCEEDS OF THE PLACING

The Board is always prepared to capture suitable opportunities to broaden the shareholders base and capital base and to raise funds for the Company to finance the potential investment opportunities. In view of the recent favourable share performance of the Company, after the market closed on 31 March 2005, the Board decided that the Company should capture such market opportunity and raise additional capital to finance its retail business expansion plan by placing of new Shares. The Board has considered various ways of raising funds and considered that the Placing via placing agent would represent the most convenient, quickest and best available option to raise such a size of new capital for the Group while broadening the shareholder base and the capital base of the Company. The Board discussed with the Placing Agent and then negotiated and concluded the terms of the Placing. The Placing Agent was able to identify the interests of some potential investors after the trading hours on 31 March 2005. The Placing was resolved by the Board to be proceeded on late 31 March 2005. The Board considered the information as disclosed in the teletext in relation to unusual price movement and trading volume issued on 29 March and 30 March 2005 respectively were valid at the time of issue.

LETTER FROM THE BOARD

The Company intends to use the net proceeds (net of placing commission, announcement fee and other professional fee for around \$1.2 million) from the Placing in the amount of approximately \$65.7 million (based on the 223,000,000 Placing Shares having been arranged to be conditionally placed by the Placing Agent) for the expansion of the retails business of the Group in Eastern China, Southern China and Northern China and as general working capital for the Group. The Board will review and consider any potential investment opportunities from time to time in order to expand the development of the retail business of the Group, but the Group currently has no concrete plans or has identified any targets for material acquisition.

Since the general mandate granted by the Shareholders to the Board at the annual general meeting on 17 May 2004 has almost fully utilised as a result of the completion of the issue of the Subscription Shares on 6 April 2005, an approval from the Shareholders to pass the relevant resolution at the SGM is therefore required for the issue of the Placing Shares.

EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE ISSUE OF THE PLACING SHARES

Shareholders	As at the Latest Practicable Date		Immediately after the issue of the Placing Shares	
	Number of Shares	%	Number of Shares	%
Controlling Shareholder & its Associates	443,572,587	59.17	443,572,587	45.60
Other Director ⁽¹⁾	3,000,000	0.40	3,000,000	0.31
The placees	–	–	223,000,000	22.93
Public	303,120,225	40.43	303,120,225	31.16
	<u>749,692,812</u>	<u>100.00</u>	<u>972,692,812</u>	<u>100.00</u>

⁽¹⁾ The Shares are held by an Associate of Mr Kwan Pak Hoo Bankee, the chairman of the Company.

APPLICATION FOR LISTING

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

LETTER FROM THE BOARD

FUND RAISING IN THE PAST 12 MONTHS

In September 2004, the Company completed a rights issue and had raised new capital of around \$46 million which was used as to approximately \$25 million for the purchases for the international business for extending its current retailing of furniture and household business to distribution and bulk supply of its products or franchising of its brand name and business model to the overseas market, as to \$15 million for reserve funds for development of international business and as to the remaining \$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 Subscription Shares to raise around \$23.2 million net proceeds which were intended to be used as general working capital of the Group. The issue of Subscription Shares was completed on 6 April 2005. The funds have not yet been used since that date of completion. One of the subscribers for the Subscription Shares was a client of the financial services business of a fellow subsidiary of its Group, while the other one was introduced to us through business association. The subscribers are not connected persons of the Company as defined in the Listing Rules, and they currently do not have any business relationship with the Group.

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

SHARE CAPITAL INCREASE

The existing authorized share capital of the Company is \$15,000,000 divided into 750,000,000 shares of \$0.02 each. As at the Latest Practicable Date, 749,692,812 Shares have been issued, and the remaining authorized share capital is not sufficient for the issue of the Placing Shares. In order to facilitate the Placing, an ordinary resolution will be proposed at the SGM to increase the authorized share capital of the Company from \$15,000,000 to \$30,000,000 by the creation of 750,000,000 new Shares. The Board has no present intention to issue any part of the unissued authorized share capital of the Company except for the purpose of issuing the Placing Shares and any Shares which may fall to be issued upon the exercise of any options granted under the share option scheme of the Company, but may consider doing so if favourable opportunity arises.

LETTER FROM THE BOARD

THE SGM

Set out on pages 11 of this circular is a notice convening the SGM at which ordinary resolutions will be proposed to be considered and, if thought fit, be passed by the Shareholders for, inter alia, approving the Placing, the issue of the Placing Shares and Share Capital Increase.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by no later than 48 hours before the time appointed for the holding of the SGM. Completion and return of a form of proxy will not preclude you from attending and voting at the SGM should you so wish.

PROCEDURE TO DEMAND A POLL BY SHAREHOLDERS

Shareholders may demand a resolution to be taken by poll if:

- (1) the demand is raised before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll; and
- (2) the demand is made by:
 - (a) chairman of the meeting; or
 - (b) at least 3 registered Shareholders (as represented personally, or by proxy, or by corporate representative) entitled to vote at the meeting; or
 - (c) a registered Shareholder or registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) representing not less than 10% of the total voting rights of all Shares in issue that entitle the holders to vote at the meeting; or
 - (d) a registered Shareholder or registered Shareholders (as represented personally, or by proxy, or by corporate representative(s)) holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all the Shares conferring that right.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors are of the view that the Placing is in the interest of the Company and the Shareholders as a whole. The Directors recommend the Shareholders to vote in favour of the ordinary resolutions as set out in the notice of the SGM.

On behalf of the Board

Bankee P Kwan

Chairman

NOTICE OF SGM

PRICERITE 寶惠 PRICERITE GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock code #996)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Pricerite Group Limited (“Company”) will be held at 21/F The Center, 99 Queen’s Road Central, Hong Kong on 13 May 2005, Friday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolutions as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** the authorized share capital of the Company be and is hereby increased from HK\$15,000,000.00 to HK\$30,000,000.00 by the creation of an additional 750,000,000 ordinary shares of HK\$0.02 each (“Share(s)”) in the share capital of the Company.”
2. **“THAT** subject to and conditional upon (i) the passing of ordinary resolution number 1 set out in this notice convening the Meeting at which this resolution forms part, and (ii) the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of and permission to deal in the Placing Shares (to be defined hereunder),
 - (a) the placing of a maximum of 223,000,000 new Shares (“Placing Share(s)”) by Celestial Securities Limited (“Placing Agent”) on a best effort basis at the placing price of HK\$0.30 per Placing Share pursuant to the terms and conditions of the placing agreement dated 4 April 2005 (“Agreement”) entered into between the Company and the Placing Agent be and is hereby approved and the directors of the Company be and are hereby authorised to allot and issue the Placing Shares pursuant to the Agreement; and
 - (b) any one director of the Company be and is hereby authorized to do all such acts and things as he/she may in his/her absolute discretion considered necessary or expedient in connection with the Agreement.”

By order of the Board
Joan Elmond O K Kwok
Company Secretary

Hong Kong, 25 April 2005

NOTICE OF SGM

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:

21/F The Center
99 Queen's Road Central
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint proxy to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company but must be present in person to represent the member. A form of proxy is also enclosed for the meeting.
2. In order to be valid, the form must be deposited at the principal place of business of the Company in Hong Kong at 21/F The Center, 99 Queen's Road Central, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.