

Directors' Report

The Directors are pleased to present their report and the audited financial statements of the Company and its subsidiaries ("Group") for the year ended 31 December 2005.

CHANGE OF COMPANY'S NAME

Pursuant to a special resolution passed at the special general meeting held on 18 July 2005, the name of the Company was changed from Pricerite Group Limited to CASH Retail Management Group Limited. The change of name took effect from 20 July 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are retailing of furniture and household items and trendy digital products, operation of department store and provision of store management services.

RESULTS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated income statement on page 46 of this Annual Report.

FINANCIAL SUMMARY

A summary of the audited results and the assets and liabilities of the Group for the last five financial periods is set out on page 124 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements during the year in the property, plant and equipment and investment properties of the Group are set out in notes 16 and 18 to the financial statements respectively.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 40 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the financial statements.

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CONVERTIBLE LOAN NOTES

(i) Convertible loan note issued on 15 August 2005

On 15 August 2005, the Company issued a convertible loan note with a principal amount of HK\$108,000,000 at an initial conversion price of HK\$0.45 per share (subject to adjustment). The convertible loan note bears no coupon rate from the date of issue to the final date of repayment of 31 August 2007. As at 31 December 2005, the convertible loan note was held by AustChina Information Technology Pvt Limited with outstanding amount of HK\$108,000,000 convertible into a total number of 240,000,000 shares at the initial conversion price of HK\$0.45 per share (subject to adjustment).

(ii) Convertible loan note issued on 30 December 2005

On 30 December 2005, the Company issued a convertible loan note with a principal amount of HK\$180,000,000 at an initial conversion price of HK\$0.45 per share (subject to adjustment). The convertible loan note bears no coupon rate from the date of issue to the final date of repayment of 31 December 2007. As at 31 December 2005, the convertible loan note was held by Mr Qian Song Wen with outstanding amount of HK\$180,000,000 convertible into a total number of 400,000,000 shares at the initial conversion price of HK\$0.45 per share (subject to adjustment).

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the section of "Consolidated Statement of Changes in Equity" in the financial statements.

As at 31 December 2005, the reserves of the Company available for distribution to shareholders were approximately HK\$83,923,000, comprising contributed surplus of HK\$201,971,000 less accumulated losses of HK\$118,048,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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RAISING OF FUNDS AND USE OF PROCEEDS

- (1) Pursuant to two subscription agreements dated 23 March 2005, a total of 83,000,000 ordinary shares of HK\$0.02 each, being 30,000,000 shares as subscribed by Mr Pun So and 53,000,000 as subscribed by Ms Tin Yuen Sin Carol, who were not connected persons of the Company under the Listing Rules at the date of the transaction, were issued at a price of HK\$0.28 per share on 6 April 2005. The gross proceeds of the issue were HK\$23,240,000 and the net proceeds of the issue were approximately HK\$23,200,000, representing a net price of approximately HK\$0.279 per share. The fund was raised for general working capital of the Group. The closing price of each share on 23 March 2005 (the trading day on which the terms of the subscription agreements were fixed) was HK\$0.305. Details of the transactions were disclosed in the Company's announcement dated 24 March 2005. Such fund has been applied accordingly.
 - (2) Pursuant to a placing agreement dated 4 April 2005, a total of 223,000,000 ordinary shares of HK\$0.02 each were issued to more than 10 placees (which were not connected persons of the Company under the Listing Rules at the date of the transaction) at HK\$0.30 per share on 19 May 2005. The gross proceeds of the issue were HK\$66,900,000 and the net proceeds of the issue were approximately HK\$65,700,000, representing a net price of approximately HK\$0.295 per share. The fund was raised for expansion of the retail business of the Group in the Eastern China, Southern China and Northern China and as general working capital for the Group. The closing price of each share on 31 March 2005 (the last trading day prior the date of the terms of the placing agreement was fixed) was HK\$0.435. Details of the transactions were disclosed in the Company's announcement dated 4 April 2005 and circular dated 25 April 2005. The issue of the 223,000,000 shares was completed on 19 May 2005. The fund had been applied as the first deposit under the sale and purchase agreement dated 24 August 2005 in relation to the acquisition of a business in the PRC at a consideration of HK\$500 million ("S&P Agreement").
 - (3) Pursuant to an agreement dated 23 May 2005, the Company issued a convertible loan note in the principal amount of HK\$108,000,000 at an initial conversion price of HK\$0.45 each (subject to adjustment) on 15 August 2005. The proceeds were intended for developing retail business operation of the Group in the PRC and had been applied accordingly. Details of the transactions were disclosed in the Company's announcement dated 25 May 2005 and circular dated 30 June 2005.
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- (4) Pursuant to a placing agreement dated 24 August 2005, a total of 100,000,000 ordinary shares of HK\$0.02 each were issued to 10 placees (which were not connected persons of the Company under the Listing Rules at the date of the transaction) on 30 December 2005 at HK\$0.45 per share. The gross proceeds of the issue were HK\$45,000,000 and the net proceeds of the issue were approximately HK\$43,000,000, representing a net price of approximately HK\$0.43 per share. The fund was raised for settlement of the consideration under the S&P Agreement. The closing price of each share on 22 August 2005 (the last trading day prior the date of the terms of the placing agreement was fixed) was HK\$0.860. Details of the transactions were disclosed in the Company's announcement dated 26 August 2005 and circular dated 9 November 2005. The issue of the 100,000,000 shares was completed on 30 December 2005. The fund had been applied for settlement of part of the consideration upon completion of the S&P Agreement on 30 December 2005.
- (5) Pursuant to the terms of the S&P Agreement, the Company issued a convertible loan note in the principal amount of HK\$180,000,000 million at a conversion price of HK\$0.45 each (subject to adjustment) on 30 December 2005. The fund was intended to be used for settlement of part of the consideration under the S&P Agreement and the fund has been applied accordingly.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the Group's purchases attributable to the five largest suppliers accounted for less than 30% of the Group's total purchases.

The Group had no major customer due to the nature of principal activities of the Group.

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DIRECTORS

The Directors of the Company during the year and up to the date of this Annual Report were as follows:

Executive Directors:

Kwan Pak Hoo Bankee

Law Ping Wah Bernard

Kwok Lai Ling Elaine

Leung Siu Pong James

Li Yuen Cheuk Thomas

Tin Yuen Sin Carol

(was appointed on 1 September 2005)

Cheng Pui Lai Majone

(resigned on 31 March 2005)

Independent Non-executive Directors:

Lo Ming Chi Charles

Ng Ka Chung Simon

(was appointed on 28 February 2006)

Leung Ka Kui Johnny

(was appointed on 8 June 2005)

Hui Ka Wah Ronnie

(resigned on 28 February 2006)

Lai Wai Kwong Daryl

(resigned on 8 June 2005)

The following Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company:

- (i) Mr Kwan Pak Hoo Bankee, Ms Kwok Lai Ling Elaine and Mr Leung Siu Pong James shall retire at least once in every three financial years at the annual general meeting of the Company in accordance with the corporate governance code;
 - (ii) Ms Tin Yuen Sin Carol shall retire at the annual general meeting of the Company in accordance with Bye-law 115 of the Company's Bye laws; and
 - (iii) Mr Lo Ming Chi Charles, Mr Ng Ka Chung Simon and Mr Leung Ka Kui Johnny, being Independent Non-executive Directors, shall retire at the annual general meeting of the Company in each year in accordance with their terms of office of directorship.
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Directors' Report

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory obligation.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any significant contract to the business of the Group to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party during the year.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme are set out in note 36 to the financial statements.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2005, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

A. The Company

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	446,572,587*	40.88
Tin Yuen Sin Carol	Beneficial owner	86,000,000	7.87
		<u>532,572,587</u>	<u>48.75</u>

* The shares were held as to 443,572,587 shares by Celestial Investment Group Limited ("CIGL"), a wholly-owned subsidiary of CASH, and its subsidiaries and as to 3,000,000 shares by Cash Guardian Limited ("Cash Guardian"). Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

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(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Note	Exercise price per share (HK\$)	Number of options			outstanding as at 31 December 2005	Percentage to issued shares as at 31 December 2005 (%)
					outstanding as at 1 January 2005	exercised during the year (Note (1))	lapsed during the year (Note (2))		
Kwok Lai Ling Elaine	2/12/2003	1/12/2004 – 30/11/2005		0.316	5,666,667	(5,666,667)	-	-	-
Leung Siu Pong James	2/12/2003	1/12/2004 – 30/11/2005		0.316	2,833,333	(2,833,333)	-	-	-
Li Yuen Cheuk Thomas	2/12/2003	1/12/2004 – 30/11/2005		0.316	2,833,333	(2,833,333)	-	-	-
Cheng Pui Lai Majone	2/12/2003	1/12/2004 – 30/11/2005	(4)	0.316	5,666,667	-	(5,666,667)	-	-
					17,000,000	(11,333,333)	(5,666,667)	-	-

Notes:

- (1) On 17 May 2005, 11,333,333 share options of the Company were exercised at the exercise price of HK\$0.316 per share. The weighted average closing price of the Company's shares immediately before the date of exercise was HK\$0.78 per share.
- (2) The lapsed options were due to cessation of employment of participant with the Group.
- (3) No option was granted or cancelled during the year.
- (4) Ms Cheng Pui Lai Majone resigned as a Director of the Company during the year.
- (5) Mr Kwan Pak Hoo Bankee is also a substantial shareholder of the Company.
- (6) The options are held by the Directors in the capacity of beneficial owner.

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B. Associated corporations (within the meaning of SFO)

1. CASH

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding (%)
		Personal	Other interest	
Kwan Pak Hoo Bankee	Founder of a discretionary trust	-	164,028,376*	37.49
Law Ping Wah Bernard	Beneficial owner	5,096,200	-	1.16
Kwok Lai Ling Elaine	Beneficial owner and family interest	21,200	-	0.01
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	-	0.57
		7,619,275	164,028,376	39.23

* The shares were held by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Number of options			Percentage to issued shares as at 31 December 2005 (%)
				outstanding as at 1 January 2005	lapsed during the year	outstanding as at 31 December 2005	
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	(3,000,000)	-	-
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.502	3,000,000	(3,000,000)	-	-
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.502	1,000,000	(1,000,000)	-	-
				7,000,000	(7,000,000)	-	-

Note: The options are held by the Directors in the capacity of beneficial owner.

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2. CFSG

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares	
		Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	534,219,434*	51.12

* The shares were held as to 518,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 15,392,000 shares by Cash Guardian. Mr Kwan was deemed to be interested in all these shares as a result of his interests in CASH through Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Exercise period	Exercise price per share (HK\$)	Note	Number of options				Percentage to issued shares	
					outstanding as at 1 January 2005	exercised during the year	granted during the year	lapsed during the year	outstanding as at 31 December 2005	as at 31 December 2005 (%)
Kwan Pak Hoo Bankee	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	-	-	(3,185,000)	-	-
	6/10/2005	6/10/2005 – 31/10/2006	0.38		-	-	7,800,000	-	7,800,000	0.75
Law Ping Wah Bernard	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	-	-	(3,185,000)	-	-
	6/10/2005	6/10/2005 – 31/10/2006	0.38		-	-	7,800,000	-	7,800,000	0.75
Kwok Lai Ling Elaine	2/12/2003	1/6/2004 – 31/5/2006	0.34		650,000	(650,000)	-	-	-	-
Li Yuen Cheuk Thomas	2/12/2003	2/12/2003 – 30/11/2005	0.34		3,185,000	-	-	(3,185,000)	-	-
	6/10/2005	6/10/2005 – 31/10/2006	0.38		-	-	7,500,000	-	7,500,000	0.72
Hui Ka Wah Ronnie	6/10/2005	6/10/2005 – 31/10/2006	0.38		-	-	1,000,000	-	1,000,000	0.10
Cheng Pui Lai Majone	2/12/2003	1/6/2004 – 31/5/2006	0.34	(1)	650,000	-	-	(650,000)	N/A	N/A
					10,855,000	(650,000)	24,100,000	(10,205,000)	24,100,000	2.32

Notes:

(1) Ms Cheng Pui Lai Majone resigned as Director of the Company during the year.

(2) The options are held by the Directors in the capacity of beneficial owner.

Save as disclosed above, as at 31 December 2005, none of the Directors, chief executive or their associates had any personal, family, corporate or other beneficial interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

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SHARE OPTION SCHEMES

Particulars of the Company's share option schemes and details of movements in the share options to subscribe for shares of HK\$0.02 each in the Company granted under the share option schemes during the year are set out in note 33(A) to the financial statements.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2005, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of shares	Number of underlying shares	Shareholding (%)
Jeffnet Inc (Note (1))	Trustee of a discretionary trust	446,572,587	–	40.88
Cash Guardian (Note (1))	Interest in a controlled corporation	446,572,587	–	40.88
CASH (Note (1))	Interest in a controlled corporation	443,572,587	–	40.60
CIGL (Note (1))	Beneficial owner	443,572,587	–	40.60
Mr Qian Song Wen ("Mr Qian") (Note (2))	Beneficial owner	–	400,000,000	36.61

Notes:

- (1) The shares were held as to 3,000,000 shares by Cash Guardian and as to 443,572,587 shares by CIGL and its subsidiaries. CIGL was a wholly-owned subsidiary of CASH which was owned as to approximately 37.49% by Cash Guardian (which was 100% beneficially owned by Jeffnet Inc). Jeffnet Inc held these shares as trustee of The Jeffnet Unit Trust, units of which were held by a discretionary trust established for the benefit of the family members of Mr Kwan Pak Hoo Bankee. Pursuant to SFO, Mr Kwan, Jeffnet Inc and Cash Guardian were deemed to be interested in the shares held by CIGL through CASH. The above interest has already been disclosed as other interest of Mr Kwan in the section headed "Directors' Interests in Securities" above.
- (2) This refers to the convertible loan note in the outstanding amount of HK\$180,000,000 held by Mr Qian convertible into a maximum number of 400,000,000 shares at the initial conversion price of HK\$0.45 each (subject to adjustment).

Save as disclosed above, at 31 December 2005, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more or short positions of the issued share capital of the Company.

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PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this Annual Report, the Company has maintained sufficient public float of not less than 25% of its shares in the hands of the public throughout the year ended 31 December 2005.

POST BALANCE SHEET EVENTS

Details of a significant post balance sheet events of the Group are set out in note 39 to the financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received a written confirmation in respect of independence from each of the Independent Non-executive Director of the Company in compliance with rule 3.13 of the Listing Rules, and the Company still considers that each of them to be independent.

AUDITORS

The financial statements of the Company for the year were audited by Messrs Deloitte Touche Tohmatsu. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Bankee P Kwan

Chairman

Hong Kong, 13 April 2006
