

Directors' Report

The Directors are pleased to present their report and the audited consolidated financial statements of CASH Retail Management Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in **Note 41** to the consolidated financial statements.

In prior years, the Group was also engaged in the retailing of furniture and household goods and trendy digital products in Hong Kong. These operations were discontinued in the current year (see **Note 10**).

RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of the movements during the year in the property, plant and equipment and investment property of the Group are set out in **Notes 15** and **17** to the consolidated financial statements respectively.

SHARE CAPITAL

Details of the share capital of the Company are set out in **Note 30** to the consolidated financial statements.

CONVERTIBLE LOAN NOTES

Details of the convertible loan notes of the Company are set out in **Note 32** to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2006, the Company's reserves available for distribution to shareholders amounted to approximately HK\$15 million, comprising contributed surplus of approximately HK\$202 million less accumulated losses of approximately HK\$187 million.

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.

Directors' Report

DIRECTORS

The directors of the Company during the year and up to the date of this annual report were as follows:

Executive directors:

Ms. Tin Yuen Sin Carol	(Appointed on 1 September 2005 and become the Chairperson since 16 November 2006)
Mr. Choi Chiu Fai Stanley	(Appointed on 26 October 2006 as executive director and Chief Executive Officer)
Mr. Chan Hon Ming Alan	(Appointed on 26 October 2006)
Mr. Tse Pui To Dickson	(Appointed on 26 October 2006)
Mr. Lam Yat Ming	(Appointed on 26 October 2006)
Mr. Kwan Pak Hoo Bankee	(Resigned on 16 November 2006)
Mr. Law Ping Wah Bernard	(Resigned on 16 November 2006)
Mr. Leung Siu Pong James	(Resigned on 16 November 2006)
Mr. Li Yuen Cheuk Thomas	(Resigned on 16 November 2006)
Ms. Kwok Lai Ling Elaine	(Resigned on 20 April 2006)

Independent non-executive directors:

Mr. Ng Ka Chung Simon	(Appointed on 28 February 2006)
Mr. Chan Wai Yip Freeman	(Appointed on 26 October 2006)
Ms. Leung Po Ying Iris	(Appointed on 26 October 2006)
Mr. Lo Ming Chi Charles	(Resigned on 16 November 2006)
Mr. Leung Ka Kui Johnny	(Resigned on 16 November 2006)
Dr. Hui Ka Wah Ronnie	(Resigned on 28 February 2006)

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

- (i) Mr. Choi Chiu Fai Stanley, Mr. Chan Hon Ming Alan, Mr. Tse Pui To Dickson and Mr. Lam Yat Ming shall retire at the annual general meeting of the Company in accordance with Bye-law 115 of the Company's Bye-laws; and
- (ii) Mr. Ng Ka Chung Simon, Mr. Chan Wai Yip Freeman and Ms. Leung Po Ying Iris, 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.

DIRECTORS' SERVICE CONTRACTS

No director 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 compensation).

Directors' Report

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There was no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent of the Company.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

Details of the Company's share option scheme are set out in **Note 31** to the consolidated financial statements.

Details of the Group's retirement benefits schemes are set out in **Note 38** to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2006, the interests or short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of 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:

Long positions — Ordinary shares of HK\$0.02 each of the Company

Name of director	Capacity	Number of ordinary shares held	Percentage of the issued share capital of the Company
Ms. Tin Yuen Sin Carol	Beneficial owner	86,000,000	7.88%
	Held by a controlled corporation (Note)	531,551,354	48.65%
		<u>617,551,354</u>	<u>56.53%</u>

Note: At 31 December 2006, Ms. Tin Yuen Sin Carol ("Ms. Tin") was deemed to be interested in 531,551,354 ordinary shares of the Company through her 100% beneficial interest in Fit Top Investments Limited ("Fit Top").

Directors' Report

Save as disclosed above, as at 31 December 2006, none of the directors, chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, so far as is known to any director or chief executive of the Company, the persons, 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:

Long positions — Ordinary shares of HK\$0.02 each of the Company

Name	Capacity	Number of shares	Number of underlying shares	Shareholding (%)
Fit Top (Note 1)	Beneficial owner	531,551,354	—	48.65%
Jeffnet Inc (Note 2)	Trustee of a discretionary trust	97,062,500	—	8.88%
Cash Guardian Limited (Note 2)	Interest in a controlled corporation	97,062,500	—	8.88%
Celestial Asia Securities Holdings Limited (“CASH”) (Note 2)	Interest in a controlled corporation	94,062,500	—	8.61%
Celestial Investment Group Limited (“CIGL”) (Note 2)	Beneficial owner	94,062,500	—	8.61%
Mr. Qian Song Wen (Note 3)	Beneficial owner	—	400,000,000	36.61%
Mr. Pun So (Note 4)	Beneficial owner	—	240,000,000	21.97%

Directors' Report

Notes:

1. At 31 December 2006, Fit Top was a company wholly owned by Ms. Tin. Pursuant to the SFO, Ms. Tin was deemed to be interested in the shares held by Fit Top.
2. The shares were held as to 3,000,000 shares by Cash Guardian Limited and as to 94,062,500 shares by CIGL and its subsidiaries. At 31 December 2006, CIGL was a wholly-owned subsidiary of CASH which was owned as to approximately 37.49% by Cash Guardian Limited (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 ("Mr. Kwan"). Pursuant to the SFO, Mr. Kwan, Jeffnet Inc and Cash Guardian Limited were deemed to be interested in the shares held by CIGL through CASH.
3. This refers to the convertible loan note in the outstanding amount of HK\$180,000,000 held by Mr. Qian Song Wen which is convertible into a maximum number of 400,000,000 ordinary shares of the Company at the initial conversion price of HK\$0.45 per share (subject to adjustment).
4. This refers to the convertible loan note in the outstanding amount of HK\$108,000,000 held by Mr. Pun So which is convertible into a maximum number of 240,000,000 ordinary shares of the Company at the initial conversion price of HK\$0.45 per share (subject to adjustment).

Save as disclosed above, the Company has not been notified of any substantial shareholder (other than a director or chief executive of the Company) who had any other relevant interests or short positions in the shares or underlying shares of the Company at 31 December 2006 within the meaning of Part XV of SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2006, 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 the information 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 a sufficient public float throughout the year ended 31 December 2006.

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, and the Group's sales attributable to the five largest customers accounted for less than 30% of the Group's total sales.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in **Note 40** to the consolidated financial statements.

Directors' Report

AUDITORS

HLB Hodgson Impey Cheng were appointed as the Company's auditors with effect from 11 January 2007 to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu on 14 December 2006. There have been no other changes of auditors for the past three financial years.

The consolidated financial statements of the Group for the year ended 31 December 2006 were audited by HLB Hodgson Impey Cheng. A resolution will be submitted to the annual general meeting to re-appoint HLB Hodgson Impey Cheng as auditors of the Company.

On behalf of the Board

Tin Yuen Sin Carol

Chairperson

Hong Kong, 20 April 2007