CRMG
CASH RETAIL MANAGEMENT GROUP
時 惠 環 球 控 股

CASH Retail Management Group Limited

(Stock Code #996)

Interim Results 2006

Consolidated Income Statement

The unaudited consolidated results of CASH Retail Management Group Limited ("CRMG" or "Company") and its subsidiaries ("Group") for the six months ended 30 June 2006 together with the comparative figures for the last corresponding period are as follows:

	Notes	**Unaudited six months ended 30 June 2006 HK$'000**	2005 HK$'000 (restated) (Note 2)
Continuing operations:			
Revenue	(3)	**55,806**	–
Cost of sales		**(5,915)**	–
Gross profit		**49,891**	–
Other income		**6,219**	–
Selling and distribution costs		**(19,793)**	–
Administrative expenses		**(17,895)**	(1,846)
Surplus on revaluation of buildings		**–**	9,199
Gain on disposal of property and equipment		**9,897**	–
Gain on disposal of subsidiaries		**40,771**	–
Finance costs		**(967)**	–
Profit before taxation		**68,123**	7,353
Taxation charge	(5)	**(3,076)**	–
Profit for the period from continuing operations		**65,047**	7,353
Discontinued operation:			
Loss for the period from discontinued operation	(6)	**(40,924)**	(6,231)
Profit for the period		**24,123**	1,122
Earnings per share	(7)		
From continuing and discontinued operations:			
Basic and diluted		**2.2 cents**	0.1 cent
From continuing operations:			
Basic and diluted		**6.0 cents**	1.0 cent

Consolidated Balance Sheet

	Notes	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	(8)	**78,643**	169,946
Prepaid lease payments		**–**	4,694
Investment property	(9)	**–**	5,000
Goodwill		**2,375**	2,375
Available-for-sale investments		**–**	1,760
Prepaid rental		**38,462**	38,462
Deposits paid for acquisition of leasehold improvements		**39,822**	23,702
Rental and utility deposits		**–**	8,713
Deferred tax assets		**7,254**	7,254
		166,556	261,906
Current assets			
Inventories		**135**	51,464
Account receivables	(10)	**43,652**	2,132
Prepayments, deposits and other receivables	(10)	**250,774**	358,885
Amounts due from related companies	(10)	**2,507**	32,439
Amount due from Celestial Asia Securities Holdings Limited ("CASH") and its subsidiaries ("CASH Group")	(17)(i)	**100,590**	–
Listed investments held for trading	(11)	**–**	4,106
Pledged bank deposits		**–**	38,900
Bank balances (general accounts) and cash		**3,566**	106,645
		401,224	594,571
Current liabilities			
Account payables	(12)	**25,185**	192,961
Accrued liabilities and other payables	(12)	**18,321**	63,845
Amounts due to related companies	(12)	**–**	1,015
Taxation payable		**15,987**	14,560
Bank borrowings, secured		**24,038**	75,580
		83,531	347,961
Net current assets		**317,693**	246,610
Total assets less current liabilities		**484,249**	508,516

	Notes	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Capital and reserves			
Share capital	(14)	**21,851**	21,851
Reserves		**201,186**	218,891
Total equity		**223,037**	240,742
Non-current liabilities			
Bank borrowings, secured		**–**	10,555
Convertible loan notes			
– amount due after one year	(15)	**261,212**	257,219
		261,212	267,774
		484,249	508,516

Condensed Consolidated Cash Flow Statement

	Notes	Unaudited six months ended 30 June **2006** **HK$'000**	2005 HK$'000 (restated) (Note 2)
Net cash used in operating activities		**(48,354)**	(35,292)
Investing activities			
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	(1)	**–**	(2,726)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	(2)	**(64,755)**	–
Other investing activities		**(27,653)**	(64,852)
Net cash used in investing activities		**(92,408)**	(67,578)
Net cash (used in) from financing activities		**(1,217)**	83,400
Net decrease in cash and cash equivalents		**(141,979)**	(19,470)
Cash and cash equivalents at beginning of period		**145,545**	163,232
Cash and cash equivalents at end of period		**3,566**	143,762
Analysis of balances of cash and cash equivalents			
Bank balances (general accounts) and cash		**3,566**	143,762

Notes:

1.

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000 (restated) (Note 2)
NET ASSETS ACQUIRED	**–**	3,850
Goodwill	**–**	150
	–	4,000
SATISFIED BY		
Cash	**–**	4,000
CASH OUTFLOW ARISING ON ACQUISITION		
Cash consideration	**–**	(4,000)
Bank balances and cash acquired	**–**	1,274
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	**–**	(2,726)

2.

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000
NET ASSETS DISPOSED	**89,819**	–
Gain on disposal	**40,771**	–
	130,590	–
SATISFIED BY		
Cash	**30,000**	–
Amount due from the CASH Group	**100,590**	–
	130,590	–
CASH OUTFLOW ARISING ON DISPOSAL		
Cash consideration received	**30,000**	–
Bank balances and cash disposed of	**(94,755)**	–
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(64,755)**	–

Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2006							
	Share capital HK$'000	**Share premium HK$'000**	**Contributed surplus HK$'000**	**Capital reserve HK$'000**	**Building revaluation reserve HK$'000**	**Convertible loan notes equity reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**
At 1 January 2006	**21,851**	**179,008**	**170,942**	**6,055**	**701**	**32,946**	**(170,761)**	**240,742**
Realised on disposal of subsidiaries	**-**	**-**	**(41,127)**	**-**	**(701)**	**-**	**-**	**(41,828)**
Profit for the period and total recognised income and expenses for the period	**-**	**-**	**-**	**-**	**-**	**-**	**24,123**	**24,123**
At 30 June 2006	**21,851**	**179,008**	**129,815**	**6,055**	**-**	**32,946**	**(146,638)**	**223,037**

		Unaudited six months ended 30 June 2005					
	Notes	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2005, as originally stated		13,334	47,631	170,942	6,055	(87,666)	150,296
Effects of changes in accounting policies		–	–	–	–	(6,504)	(6,504)
At 1 January 2005, as restated		13,334	47,631	170,942	6,055	(94,170)	143,792
Issue of new shares	(a)	6,120	84,020	–	–	–	90,140
Issue of new shares due to exercise of share options	(b)	397	5,871	–	–	–	6,268
Share issue expenses		–	(534)	–	–	–	(534)
Profit for the period		–	–	–	–	1,122	1,122
At 30 June 2005		19,851	136,988	170,942	6,055	(93,048)	240,788

Notes:

(a) In April 2005, 83,000,000 new shares of HK$0.02 each at the subscription price of HK$0.28 per share were issued to two investors and total net proceeds of HK$23.2 million had been raised for general working capital of the Group pursuant to two subscription agreements both dated 23 March 2005 entered into between the Company and respectively two subscribers. In May 2005, 223,000,000 new shares of HK$0.02 each at the placing price of HK$0.30 per share were issued to investors and total net proceeds of HK$65.7 million were raised for the expansion of retail business of the Group in China and as its working capital pursuant to a placing agreement dated 4 April 2005 entered into between the Company and the placing agent.

(b) In May 2005, 19,833,333 options were exercised at the exercise price of HK$0.316 per share, resulting in the issue of 19,833,333 shares of HK$0.02 each for a total consideration (before expenses) of HK$6.3 million on 23 May 2005.

Notes:

(1) Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") ("Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

(2) Significant accounting policies

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 31 December 2005.

On 20 February 2006, the Company entered into a sale and purchase agreement ("Agreement") with Celestial Investment Group Limited ("CIGL", a wholly-owned subsidiary of CASH). Under the Agreement, the Company agreed to sell the 100% equity interest in CASH Retail Management (HK) Limited and its subsidiaries ("Retail Group"), and the entire loan due from the Retail Group to the Company as at 31 December 2005 to CIGL. The Retail Group represents all retail businesses in Hong Kong previously operated by the Group.

The transaction was completed on 30 June 2006 and the Group ceases to carry on any retail business in Hong Kong. Therefore, the results derived from the operations of the Retail Group are presented as discontinued operation in current accounting period. The comparative figures for the corresponding period in 2005 have also been reclassified as discontinued operation accordingly.

The Group has not early applied the following new Hong Kong Financial Reporting Standards ("HKFRSs") and HKFRSs interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the application of these new HKFRSs and HKFRSs interpretations will have no material impact on the financial position of the Group.

HKAS 1 (Amendment)	Capital disclosure [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 and HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]

HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market-waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies" [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]
HK(IFRIC) – INT 9	Reassessment of embedded derivatives [6]

[1] *Effective for annual periods beginning on or after 1 January 2007.*
[2] *Effective for annual periods beginning on or after 1 January 2006.*
[3] *Effective for annual periods beginning on or after 1 December 2005.*
[4] *Effective for annual periods beginning on or after 1 March 2006.*
[5] *Effective for annual periods beginning on or after 1 May 2006.*
[6] *Effective for annual periods beginning on or after 1 June 2006.*

(3) Revenue

An analysis of the Group's revenue for the period, for both continuing and discontinued operations, together with the comparative figures for the last corresponding period, is as follows:

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000 (restated)
Continuing operations:		
Operation of a department store	**17,145**	–
Property management fee income	**38,661**	–
	55,806	–
Discontinued operation:		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**426,452**	439,983

(4) Segment information

The Directors report the geographical segments as the Group's primary segment information.

Geographical segments

The following is an analysis of the sales by location of markets of the Group, analysed by the geographical market in which the customers are located for the six months ended 30 June 2006:

	Continuing operations			Discontinued operation	
	Hong Kong HK$'000	PRC HK$'000	Total HK$'000	Hong Kong HK$'000	Consolidated HK$'000
Revenue	–	55,806	55,806	426,452	482,258
Segment profit (loss)	(215)	33,286	33,071	(38,764)	(5,693)
Finance costs			(967)	(2,160)	(3,127)
Unallocated corporate expenses			(4,752)	–	(4,752)
Gain on disposal of discontinued operation			40,771	–	40,771
Profit (Loss) before taxation			68,123	(40,924)	27,199
Taxation charge			(3,076)	–	(3,076)
Profit (Loss) for the period			65,047	(40,924)	24,123

Before the acquisition of Timecastle International Limited and its subsidiaries ("Timecastle Group") which are engaged in the operation of a department store on 30 December 2005, the Group's revenue was substantially derived from the retailing activities carried out in Hong Kong. Accordingly, no analysis of the Group's sales by location of markets for the six months ended 30 June 2005 is presented.

Business segments

The following is an analysis of the Group's sales by business segment for the six months ended 30 June 2006:

	Continuing operations			Discontinued operation	
	Operation of a department store HK$'000	Property management HK$'000	Total HK$'000	Retailing of furniture and household goods and trendy digital products HK$'000	Consolidated HK$'000
Revenue	17,145	38,661	55,806	426,452	482,258
Segment profit (loss)	8,354	24,932	33,286	(38,764)	(5,478)
Finance costs			(967)	(2,160)	(3,127)
Unallocated corporate expenses			(4,967)	-	(4,967)
Gain on disposal of discontinued operation			40,771	-	40,771
Profit (Loss) before taxation			68,123	(40,924)	27,199
Taxation charge			(3,076)	-	(3,076)
Profit (Loss) for the period			65,047	(40,924)	24,123

Before the acquisition of the Timecastle Group on 30 December 2005, the Group was solely engaged in the retailing of furniture and household goods and trendy digital products. Accordingly, no analysis of the Group's sales by business segment for the six months ended 30 June 2005 is presented.

(5) Taxation charge

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000
Current period provision		
PRC enterprise income tax ("EIT")	**3,076**	–
Hong Kong profits tax	**–**	–
Taxation charge	**3,076**	–

The provision for PRC EIT is calculated based on the statutory income tax rate of 33% on the assessable profit of each of the entities now comprising the Group in the PRC as determined in accordance with the relevant income tax rules and regulations in the PRC.

No provision for Hong Kong profits tax was made as the Group had no estimated assessable profits in Hong Kong for both periods.

(6) Discontinued operation

The results of discontinued operation for the six months period ended 30 June 2006 together with the comparative figures for the last corresponding period are as follows:

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000 (restated)
Revenue	**426,452**	439,983
Cost of sales	**(287,602)**	(286,892)
Other operating, administrative and selling expenses	**(163,522)**	(146,983)
Depreciation and amortisation	**(14,092)**	(10,573)
Finance costs	**(2,160)**	(1,766)
Loss before taxation	**(40,924)**	(6,231)
Taxation	**–**	–
Loss for the period	**(40,924)**	(6,231)

(7) Earnings (loss) per share

The calculations of basic and diluted earnings (loss) per share for the six months ended 30 June 2006 together with the comparative figures for 2005 are as follows:

	Unaudited six months ended 30 June 2006 HK$'000	2005 HK$'000 (restated)
Continuing operations		
Profits for the purpose of basic and diluted earnings per share	**65,047**	7,353
Discontinued operation		
Loss for the purpose of basic and diluted loss per share	**(40,924)**	(6,231)
Continuing and discontinued operations		
Profits for the purpose of basic and diluted earnings per share	**24,123**	1,122
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**1,092,526,145**	763,380,657
Effect of dilutive potential ordinary shares assumed exercise of share options	**N/A**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**1,092,526,145**	763,380,657
Earnings (loss) per share		
Continuing operations		
Basic and diluted earnings per share	**6.0 cents**	1.0 cent
Discontinued operation		
Basic and diluted loss per share	**(3.8) cents**	(0.9) cent
Continuing and discontinued operations		
Basic and diluted earnings per share	**2.2 cents**	0.1 cent

The computation of diluted earnings (loss) per share for the six months ended 30 June 2006 did not assume the exercise of the Company's convertible loan notes existed during the period since their exercise would result in a decrease in earnings (loss) per share.

(8) Property, plant and equipment

During the period, the Group disposed of property and equipment at fair value of approximately HK$81,100,000 on disposal of subsidiaries, which included leasehold and buildings of a total market value of HK$48,000,000. The valuation was performed by Knight Frank Petty Limited, an independent professional valuers not connected to the Group, by reference to comparable market transactions. At 31 December 2005, the total market value of these leasehold and buildings was HK$48,000,000.

(9) Investment property

During the period, the Group disposed of investment property at fair value of approximately HK$5,000,000 on disposal of subsidiaries. At 31 December 2005, the total fair value of the investment property was approximately HK$5,000,000.

(10) Other financial assets

The Group allows an average credit period of 30 to 90 days to trade debtors. The aged analysis of account receivables at the balance sheet date is as follows:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
0-30 days	**25,630**	1,875
31-60 days	**98**	27
61-90 days	**–**	29
Over 90 days	**17,924**	201
	43,652	2,132

Included in the prepayments, deposits and other receivables, HK$140,000,000 (31 December 2005: HK$140,000,000) represents a deposit paid for the acquisition of the Timecastle Group refundable from the ex-shareholder of the Timecastle Group. At 31 December 2005, there was a receivable amounting to HK$45,000,000 which represented the receivable from the subscribers for the Company's placing shares. The placing of shares by the Company was completed and the relevant receivable from the subscribers was settled during the period.

At 30 June 2006 and 31 December 2005, prepayments, deposits and other receivables, included deposit paid to 北京鼎名物業管理有限公司 ("北京鼎名"), deposit paid and prepaid rental to 東方銀座廣場有限公司 ("Oriental Kenzo Plaza").

Deposit paid to 北京鼎名, deposit paid and prepaid rental to Oriental Kenzo Plaza and amounts due from related companies were analysed as follows:

Name	Terms	**30 June 2006 (Unaudited) HK$'000**	31 December 2005 (Audited) HK$'000
Deposit paid/prepaid rental to related companies:			
北京鼎名	Unsecured, non-interest bearing and repayable on demand	**4,282**	11,037
Oriental Kenzo Plaza	Unsecured, non-interest bearing and repayable on demand	**96,153**	96,153
		100,435	107,190

Name	Terms	**30 June 2006 (Unaudited) HK$'000**	31 December 2005 (Audited) HK$'000
Amount due from related companies:			
北京鼎名	Unsecured, non-interest bearing and repayable on demand	**–**	8,269
Oriental Kenzo Plaza	Unsecured, non-interest bearing and repayable on demand	**2,507**	24,170
		2,507	32,439

北京鼎名 and Oriental Kenzo Plaza are related companies as the Directors consider their management can exercise significant influence to major subsidiaries of the Timecastle Group on daily operation.

The Directors consider that the carrying amounts of the other financial assets noted above approximate their fair values.

(11) Listed investments held for trading

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Listed investments held for trading		
Equity trading securities listed on the Stock Exchange	**–**	4,106

During the period, the Group disposed of all listed investments held for trading on disposal of subsidiaries.

(12) Other current liabilities

Account payables, accrued liabilities and other payables principally comprise amounts outstanding for trade purposes and ongoing costs.

The average credit period taken for trade purchase is 30 to 90 days. The aged analysis of account payables at the balance sheet date is as follows:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
0-30 days	**–**	121,526
31-60 days	**–**	29,749
61-90 days	**–**	18,784
Over 90 days	**25,185**	22,902
	25,185	192,961

Amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

The Directors consider that the carrying amounts of the other current liabilities noted above approximate their fair values.

(13) Financial risk management objective and policies

The Group's financial instruments include bank balances and borrowings, pledged bank deposits, account receivables, deposits and other receivables, investments held for trading, amounts due from related companies, accounts payable, accrued liabilities and other payables as well as amounts due to related companies. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's bank deposits and balances are deposits with banks in Hong Kong and the PRC and the Group has limited the exposure to any single financial institution. The credit risk on these liquid funds is limited because the counterparties are banks with good credit-rating.

The Group has no significant concentration of credit risk on account receivables, with exposure spread over a large number of counterparties and customers.

In order to minimise credit risk, management has delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt and loan receivable regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significant reduced.

Interest rate risk

The Group has exposed to both fair value interest rate risk and cash flows interest rate risk through the impact of the rate changes on fixed interest rate bank borrowings and floating interest rate bank borrowings respectively.

The Group's interest bearing financial assets are mainly bank balances and cash. The Group is exposed to interest rate risk through the impact of the rate changes.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Foreign currency risk

The Group's transactions are mainly denominated in Hong Kong dollars (the functional currency of most group companies).

Certain account receivables and payables of the Group are denominated in Renminbi and is therefore exposed to Renminbi currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

(14) Share capital

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.02 each		
At 1 January 2006 and 30 June 2006	3,000,000	60,000
Issued:		
Ordinary shares of HK$0.02 each		
At 1 January 2006 and 30 June 2006	1,092,526	21,851

(15) Convertible loan notes

The Company issued a convertible loan note ("First Convertible Loan Note") with nominal value of HK$108,000,000 to an independent third party, AustChina Information Technology Pyt Limited ("AustChina"), on 15 August 2005. The First Convertible Loan Note was transferred to Mr Pun So on 10 February 2006. The First Convertible Loan Note bears zero coupon rate and is matured on 31 August 2007 or any other date mutually agreed between the Company and the noteholder. The First Convertible Loan Note will be repaid on the maturity date if no conversion is noted. The conversion price of the First Convertible Loan Note is HK$0.45 and can be exercised at any time after the expiry of 6 months from the issue date of the First Convertible Loan Note up to 31 August 2007.

Another convertible loan note with nominal value of HK$180,000,000 ("Second Convertible Loan Note") was issued by the Company to an independent third party, Mr Qian Song Wen, on 30 December 2005 as the consideration of acquisition of the Timecastle Group. The Second Convertible Loan Note bears zero coupon rate and is matured on 31 December 2007. The conversion price of the Second Convertible Loan Note is HK$0.45 and can be exercised at any time after the expiry of 6 months from the issue date of the Second Convertible Loan Note up to 31 December 2007.

The convertible loan notes above contain two components, liability and equity elements. In accordance with the requirement of HKAS 32 "Financial instruments: Disclosure and Presentation", the convertible loan notes were split between the liability and equity elements. The equity element is presented in equity headed "Convertible loan notes equity reserve". The effective interest rate of the liability component is 6.26%.

The movement of the liability component of the convertible loan notes for the period/year is set out below:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Liability at the beginning of the period/year	**257,219**	–
Issued during the period/year	**–**	255,054
Interest charge	**3,993**	2,165
Liability at the end of the period/year	**261,212**	257,219

The Directors consider that the carrying amounts of the convertible loan notes approximate their fair values.

(16) Contingent liabilities

As at 30 June 2006, the Group has no material contingent liabilities.

(17) Related party transactions

Apart from prepaid rental and deposits paid for acquisition of leasehold improvements, amounts due from related companies and amounts due to related companies, during the period, the Group entered into the following transactions with related parties that are not members of the Group:

		Unaudited six months ended 30 June	
	Notes	**2006 HK$'000**	2005 HK$'000
CASH Group:			
Disposal of subsidiaries	(i)	**130,590**	–
Directors' remuneration paid	(ii)	**–**	960
Rental expenses paid	(iii)	**2,518**	420

Notes:

(i) During the six months ended 30 June 2006, the Group disposed of the 100% equity interest in the Retail Group and the entire loan due from the Retail Group to the Company at a final cash consideration of HK$130,590,000 pursuant to the sale and purchase agreement dated 20 February 2006 entered into between the Company and a wholly-owned subsidiary of CASH. At 30 June 2006, the remaining balance of the consideration of HK$100,590,000 was due from the CASH Group to the Company.

(ii) Directors' remuneration was charged to the Group by the CASH Group based on the estimated time spent by the Directors on the management of the Group.

(iii) The Group paid rental expenses to a wholly-owned subsidiary of CASH. The charge is calculated at the effective rate charged to the wholly-owned subsidiary of CASH by the head landlord with reference to the floor area occupied by the Group.

(18) Commitments

(A) Operating lease commitments

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under the non-cancellable operating leases in leasehold land and buildings which fall due as follows:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Within one year	**44,231**	128,388
In the second to fifth year inclusive	**134,615**	206,676
	178,846	335,064

Operating lease payments represent rental payables by the Group for its department store in the PRC. Lease for department store is negotiated for a term of ten years with fixed rental. In addition to the fixed rentals, pursuant to the terms of certain rental agreements, the Group has to pay a rental for department store based on certain percent of the gross sales of the department store when the sales meets certain specified level.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for its department store in the PRC for the following future minimum lease payments:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Within one year	**347**	347

Leases are negotiated and rentals could be terminated by either party by giving one month notice to the other party.

(B) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	30 June 2006 (Unaudited) HK$'000	31 December 2005 (Audited) HK$'000
Capital expenditure in respect of acquisition of leasehold improvements authorised but not contracted for	**120,529**	120,529

On 10 May 2004, the Timecastle Group signed a memorandum ("Memorandum") with 北京正鵬房地產有限公司 ("北京正鵬"), which is a related company of the Group, for leasing a new department store in the PRC. Pursuant to the terms of the Memorandum, 北京正鵬 is responsible for the leasehold improvements of the new department store on behalf of the Timecastle Group and the total cost of leasehold improvements to be incurred should not exceed RMB150,000,000 (equivalent to HK$144,231,000).

(19) Post balance sheet events

On 28 August 2006, the boards of the Company and CASH jointly announced that a sale and purchase agreement dated 11 August 2006 (as amended on 25 August 2006) ("S&P Agreement") was entered into between CIGL, a wholly-owned subsidiary of CASH, and Fit Top Investments Limited ("Offeror"), a company owned and controlled by Ms Tin Yuen Sin Carol who is a Director of the Company. Under the S&P Agreement, CIGL would dispose of approximately 27.0% shareholding in the Company to the Offeror for a consideration of HK$106,187,431.32. The disposal will be completed on or before 31 October 2006 or such other dates as CIGL and the Offeror may agree, subject to the conditions stipulated in the S&P Agreement being fulfilled or waived in accordance with the S&P Agreement.

Under The Hong Kong Code on Takeovers and Mergers ("Takeovers Code"), the Offeror is required to make mandatory conditional cash offers for all the issued shares in, and all outstanding convertible loan notes of the Company. Details of which will be disclosed in a composite offer document to be jointly issued by the Company and the Offeror.

Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2006 (2005: Nil).

Review and Outlook

Financial Review

For the six months ended 30 June 2006, the Group ceased to consolidate the revenue of the Retail Group which carried on all the retail businesses in Hong Kong under various retail names including "Pricerite", "LZ LifeZtore" and "3C Digital" upon the disposal of the Retail Group to the Group's substantial shareholder in June 2006. The Group recorded revenue of HK$55.8 million for our department store business in Beijing for the six months ended 30 June 2006.

Apart from the Retail Group's retailing of furniture and household items and trendy digital products which had been disposed of in June 2006, the Group was also engaged in the operation of a department store and store management services in the PRC during the period under review upon the acquisition of Oriental Kenzo Plaza in December 2005. For the six months ended 30 June 2006, the Group recorded a profit of HK$24.1 million as compared with the profit of HK$1.1 million for the last corresponding period after taking into account the net operating loss from the retailing business for the first six months of the year and the gain of HK$40.8 million arising from the disposal of the Retail Group in June 2006. Whilst there had been a continuing improvement in the general economy in Hong Kong throughout the period, the Group's retailing business had still been faced with some challenging environmental pressures even though its department store in Beijing had recorded a satisfactory net profit of HK$29.7 million for the first time of consolidating its results with the Group after acquisition. The Group had seen its local retailing business being hit hard by the substantial increases in rental and staff costs, which was the direct result of the recent upswing of Hong Kong's economy and the improvement in the local consumer market. The Group had therefore successfully undergone thorough network and cost rationalisation since 2005 and most of its supporting operations had been moved into its Mainland office during the first half of the year. The economic benefits of moving the back office onto the Mainland will gradually be accrued and materialised in the remaining period of the year and the years to come. In the last quarter of 2005, the Group launched its lifestyle retail chain stores under the name "LZ LifeZtore" and had since then further expended its resources on developing the chain stores from the local market into the Mainland China this year. The Group's new retail business was still in a preliminary investment stage and had yet to have profit contribution. These investment costs expended on the new shops had largely accounted for the operating loss of the Retail Group recorded for the period under review. Upon the disposal of the Retail Group, the Group would no longer need to expend further investment costs on the new shops both in Hong Kong and on the Mainland.

Taking into account the reported profit for the period, the Group's total shareholders' equity stood at HK$223.0 million on 30 June 2006, as compared to HK$240.7 million at end of last year.

On 30 June 2006, our cash and bank balances were HK$3.6 million as compared to HK$145.5 million on 31 December 2005. The decrease in cash and bank balances was the result of ceasing to consolidate the cash and balances of the Retail Group as at 30 June 2006. Our liquidity ratio had shown a substantial improvement from 1.7 times on 31 December 2005 to 4.8 times on 30 June 2006.

Our total bank borrowings on 30 June 2006 were HK$24.0 million as compared to HK$86.1 million on 31 December 2005. The decrease in bank borrowings was the result of ceasing to consolidate the bank borrowings of the Retail Group as at 30 June 2006. All of our bank borrowings are either in Hong Kong dollar, US dollar or RMB, with the interest rates priced at closed to banks' funding costs. Therefore, our exposure to both foreign currency and interest rate fluctuation was insignificant. The Group had sufficient banking facilities for its operations throughout the period. On 30 June 2006, the Group did not hold any investment and a loss on investment of HK$69,900 was recorded for the period.

The Group issued the First Convertible Loan Note for HK$108 million in August 2005 and the Second Convertible Loan Note for HK$180 million in December 2005. Together with the two convertible loan notes, the ratio of total interest bearing borrowings to total equity was 127.9% on 30 June 2006 as compared to 142.6% on 31 December 2005.

On 20 February 2006, a wholly-owned subsidiary of CASH and the Company entered into the Agreement pursuant to which the Company agreed to sell and the wholly-owned subsidiary of CASH agreed to purchase 100% equity interest of the Retail Group which carries on mainly all retail businesses of the Company in Hong Kong. The final consideration was fixed at HK$130.6 million. The transaction was completed on 30 June 2006.

On 28 August 2006, a wholly-owned subsidiary of CASH and the Offeror entered into the S&P Agreement in relation to disposal of a 27.0% shareholding in the Company from the wholly-owned subsidiary of CASH to the Offeror at a total consideration of HK$106,187,431.32. The Offeror is required under the Takeovers Code to make mandatory conditional cash offers for all the issued shares in, and all outstanding convertible loan notes of the Company. Details of the disposal are disclosed in the note 19 above.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the period ended 30 June 2006. There was no significant investment held during the period. We do not have any future plans for material investments or capital assets and had no other material contingent liabilities at the period end.

Industry Review

The first half of 2006 continued to see steady growth in Hong Kong's economy, with gross domestic product (GDP) increasing 5.2% in real terms in the second quarter of the year, following an exceptionally strong growth of 8.0% in the first quarter. The value of total retail sales in the first six months grew by 6.4%, while the Composite Consumer Price Index rose by an average of 1.9% in the first seven months of 2006. In the first half of 2006, the volume of sales for furniture and fixtures grew by 3.2%, while sales value remained static. The volume of sales for electrical goods and photographic equipment increased by 8.2%, while sales value dropped by 0.5%.

According to the National Bureau of Statistics of China, Mainland China's GDP grew by 10.9% in the first half of 2006, with total retail sales for consumer goods rising 13.3% over this period. According to the Eleventh "Five-Year Plan", the retail industry will be one of the driving forces of the Mainland's economic development in the next five years.

Business Review and Outlook

During the period under review, the Group continued to develop its brands, providing a diversified product portfolio through its single operating platform.

At Pricerite during the period under review, three staff members were awarded Distinguished Salesperson Awards by the Hong Kong Management Association. This was the third consecutive year that Pricerite staff received the prestigious award, demonstrating our customer service standards are well recognised by retail peers. Pricerite also obtained Hong Kong Q-Mark Service Scheme certification from the Federation of Hong Kong Industries.

To gain better control over profit margins and product quality, Pricerite leveraged its strong brand to develop private-label products. In addition, Pricerite's "neat and clean" specialist position was further strengthened with a deepening of the relevant product range. More stores were re-located and renovated to better match the change in customer traffic flow. As at the end of 30 June 2006, there were a total of 31 stores in Pricerite's comprehensive network throughout Hong Kong. Five to 10 more stores are planned in the coming 12 months to complement the existing network and to boost Pricerite's presence in new residential areas. After a series of strategic changes in past years, we believe Pricerite will start to record a positive contribution to the Group in 2006.

3C Digital continued to focus on building brand recognition among its younger generation target market. It has successfully established a strong brand image in the trendy digital product segment through a series of high-profile co-marketing campaigns, such as World Cup television sponsorship. Comprising a dedicated team of knowledge-based salespeople, 3C Digital is also known for its innovative and personalised services and was the first digital specialist in Hong Kong to obtain Hong Kong Q-Mark Service Scheme certification.

During the period under review, 3C Digital opened its first island store in Causeway Bay to assist in capturing the trendy youth and booming tourist markets. This increased its store network to seven in Hong Kong. 3C Digital will continue with its proven strategy of brand-building by taking part in various co-marketing campaigns, further penetration of the trendy digital market through opening stores in strategic locations, and broadening its customer base through developing and offering more personalised services.

LZ LifeZtore was formally launched at the end of 2005 with three stores opening in Hong Kong to capture the growing home lifestyle market. Committed to providing customers with the ultimate shopping experience through a "FUNctional" approach and our own designer furniture and home accessories, LZ LifeZtore offers customers inspirational ORIwest design ideas centred on a unique fusion of Oriental and Western styles. Customers who pursue a lively, individual lifestyle will be inspired by LZ LifeZtore's distinguished product designs, exhilarating store environment and totally committed customer service. Service standards at LZ LifeZtore gained industry recognition in its first six months of operation, with staff members winning the Distinguished Salesperson Award organised by the Hong Kong Management Association. LZ LifeZtore also obtained Hong Kong Q-Mark Service Scheme certification in the first half of 2006.

To capture the booming Mainland lifestyle market, LZ LifeZtore will be opening stores in Shanghai in the second half of 2006. Shanghai has outpaced national GDP growth for several years. In 2005, for example, national GDP grew at 9.9% while Shanghai powered forward at 11.1%. Total retail sales for consumer goods rose 11.9% compared to 2004, while total retail sales for household products grew at an exciting 22.5%. With the city's average household disposable income rising 11.8% and per capita spending growing at 9% in 2005, Shanghai looks set to continue to be a high-spending city, especially for quality living products.

Our Oriental Kenzo Department Store has continued to operate well in Beijing. During the first half of 2006, Oriental Kenzo underwent major store renovations to keep abreast of market trends. The transfer of all shareholding interests in Oriental Kenzo to a wholly foreign owned enterprise, which is a wholly owned subsidiary of the Group, is expected to be completed within this financial year.

To better delineate resources to grow our retail businesses both in Hong Kong and the Mainland, the Hong Kong retail business, including Pricerite, 3C Digital and LZ LifeZtore, was sold to the Group's holding company, Celestial Asia Securities Holdings Limited (CASH) with shareholders' approval in June 2006. The corporate restructure will allow both CASH and CRMG to grow its retail business to the next level and to enhance shareholder values of both companies.

Employee Information

As at 30 June 2006, the Group had 38 employees. Our employees were remunerated according to their performance, working experience and market conditions. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK$58.6 million.

Directors' Interests in Securities

As at 30 June 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 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

Long positions in the ordinary shares

Name	Capacity	Number of shares		Shareholding
		Personal	Other interest	(%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	392,027,587*	35.88
Tin Yuen Sin Carol	Beneficial owner	86,000,000	–	7.87
		86,000,000	392,027,587	43.75

* The shares were held as to 389,027,587 shares by 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 Pak Hoo Bankee 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. Associated corporations (within the meaning of SFO)

1. CASH

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
Li Yuen Cheuk Thomas	Beneficial owner	2,501,875	–	0.57
		7,598,075	164,028,376	39.22

* The shares were held by Cash Guardian. Mr Kwan Pak Hoo Bankee 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.

2. CASH Financial Services Group Limited ("CFSG")

(a) Long positions in the ordinary shares

Name	Capacity	Number of shares: Personal	Number of shares: Other interest	Shareholding (%)
Kwan Pak Hoo Bankee	Founder of a discretionary trust	–	679,219,434*	49.18
Law Ping Wah Bernard	Beneficial owner	15,000,000	–	1.09
		15,000,000	679,219,434	50.27

* The shares were held as to 638,827,434 shares by CIGL, a wholly-owned subsidiary of CASH, and as to 40,392,000 shares by Cash Guardian. Mr Kwan Pak Hoo Bankee 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$)	Notes	Number of options outstanding as at 1 January 2006	Number of options outstanding as at 30 June 2006	Percentage to issued shares as at 30 June 2006 (%)
Kwan Pak Hoo Bankee	6/10/2005	6/10/2005 – 31/10/2006	0.38		7,800,000	7,800,000	0.56
Law Ping Wah Bernard	6/10/2005	6/10/2005 – 31/10/2006	0.38		7,800,000	7,800,000	0.56
Li Yuen Cheuk Thomas	6/10/2005	6/10/2005 – 31/10/2006	0.38		7,500,000	7,500,000	0.54
Hui Ka Wah Ronnie	6/10/2005	6/10/2005 – 31/10/2006	0.38	(1)	1,000,000	N/A	N/A
					24,100,000	23,100,000	1.66

Notes:

(1) Dr Hui Ka Wah Ronnie resigned as an independent non-executive Director of the Company during the period.

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

(3) No option was granted, exercised, lapsed or cancelled during the period.

Save as disclosed above, as at 30 June 2006, 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).

Share Option Scheme

No share options to subscribe for shares in the Company had been granted and held by participants under the share option scheme of the Company during the six months ended 30 June 2006.

Substantial Shareholders

As at 30 June 2006, 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	392,027,587	–	35.88
Cash Guardian (Note (1))	Interest in a controlled corporation	392,027,587	–	35.88
CASH (Note (1))	Interest in a controlled corporation	389,027,587	–	35.60
CIGL (Note (1))	Beneficial owner	389,027,587	–	35.60
Mr Qian Song Wen ("Mr Qian") (Note (2))	Beneficial owner	–	400,000,000	36.61
Mr Pun So ("Mr Pun") (Note (2))	Beneficial owner	54,590,000	240,000,000	26.96

Notes:

(1) The shares were held as to 389,027,587 shares by CIGL and its subsidiaries and as to 3,000,000 shares by Cash Guardian. 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 Pak Hoo Bankee, 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 Pak Hoo Bankee in the section headed "Directors' Interests in Securities" above.

(2) This refers to the Second 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).

(3) This refers to the First Convertible Loan Note in the outstanding amount of HK$108,000,000 held by Mr Pun convertible into a maximum number of 240,000,000 shares at the initial conversion price of HK$0.45 each (subject to adjustment).

Save as disclosed above, as at 30 June 2006, no other parties were recorded in the register required by the SFO to be kept as having an interest of 5% or more of the issued share capital of the Company.

Corporate Governance

During the accounting period from 1 January 2006 to 30 June 2006 ("CG Period"), the Company had duly complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules with exception for the deviation summarised as follows:

CG Code	**Deviation and reason**
A.2.1 The roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual	The defined roles and responsibilities of the CEO shall be placed with a CEO other than the Chairman or if no CEO is appointed, shall be shared and jointly saddled by all executive Directors ("ED(s)"). During the CG Period, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs.

Save for the above, the Company had been in compliance with the CG Code throughout the six months ended 30 June 2006.

Compliance with the Model Code

The Company has adopted a code of conduct regarding securities transactions by Directors as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standard of dealings set out therein throughout the review period.

Review of Results

The Group's unaudited consolidated results for the six months ended 30 June 2006 have not been reviewed by the auditors of the Company, but have been reviewed by the Audit Committee of the Company.

Purchase, Sale or Redemption of the Company's Securities

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 26 September 2006

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Law Ping Wah Bernard, Mr Leung Siu Pong James, Mr Li Yuen Cheuk Thomas and Ms Tin Yuen Sin Carol, and the independent non-executive Directors are Mr Lo Ming Chi Charles, Mr Ng Ka Chung Simon and Mr Leung Ka Kui Johnny.