



CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

CONSOLIDATED INCOME STATEMENT

The unaudited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") 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:

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	Notes		
		Unaudited six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
			(restated)
Continuing operations:			
Revenue	(3)	178,922	95,755
Salaries, commission and related benefits		(90,061)	(52,523)
Other operating, administrative and selling expenses		(57,458)	(39,156)
Depreciation and amortisation		(7,607)	(8,344)
Net increase (decrease) in fair value of listed investments held for trading		3,034	(4,378)
Loss on dilution of shareholding in subsidiary		(4,006)	-
Gain on disposal of partial interest in associate		12,904	-
Loss on dilution of shareholding in associate		-	(974)
Share of profit in associate	(5)	13,118	5,197
Finance costs		(27,395)	(5,758)
Impairment loss recognised in respect of goodwill		(5,000)	-
Profit (Loss) before taxation		16,451	(10,181)
Taxation charge	(6)	(4,090)	(150)
Profit (Loss) for the period from continuing operations		12,361	(10,331)
Discontinued operation:			
Loss for the period from discontinued operation	(8)	-	(10,507)
Profit (Loss) for the period		12,361	(20,838)
Attributable to shareholders:			
Equity holders of the Company		1,964	(18,762)
Minority interests		10,397	(2,076)
		12,361	(20,838)
Earnings (Loss) per share	(7)		
From continuing and discontinued operations:			
- Basic		0.4 cent	(4.3) cents
- Diluted		0.4 cent	(4.3) cents
Earnings (Loss) per share			
From continuing operations:			
- Basic		0.4 cent	(2.6) cents
- Diluted		0.4 cent	(2.6) cents

CONSOLIDATED BALANCE SHEET

		30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
	Notes		
Non-current assets			
Property and equipment		96,134	12,802
Prepaid lease payments		17,000	-
Investments property		5,000	-
Goodwill		138,268	17,426
Interests in associate		100,404	103,870
Intangible assets		37,479	11,261
Other assets		23,468	7,564
Loan receivables		110	725
Deposits for acquisition		-	56,095
		417,863	209,743
Current assets			
Inventories		62,267	-
Deferred tax assets		1,390	3,940
Account receivables	(9)	549,279	469,772
Loan receivables		54,126	38,460
Prepayments, deposits and other receivables		112,810	19,580
Listed investments held for trading		20,181	35,467
Derivative financial instrument		11	16
Bank deposits under conditions		79,277	17,125
Bank balances - trust and segregated accounts		428,236	352,902
Bank balances (general accounts) and cash		199,082	118,219
		1,506,659	1,055,481

Current liabilities

Account payables	(10)	868,067	581,965
Accrued liabilities and other payables		86,628	35,801
Deferred revenues		429	-
Taxation payable		3,064	1,525
Obligations under finance leases			
- amount due within one year		152	150
Bank borrowings - amount due within one year		318,842	171,737
Convertible loan note - amount due within one year		-	30,242
		1,277,182	821,420

Net current assets

	229,477	234,061
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Total assets less current liabilities

	647,340	443,804
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Capital and reserves

Share capital	43,748	43,748
Reserves	141,560	139,596
Equity attributable to equity holders of the Company	185,308	183,344
Equity component of convertible loan note and share option reserve of a listed subsidiary	947	1,464
Minority interests	269,050	179,273

Total equity

	455,305	364,081
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Non-current liabilities

Obligations under finance leases			
- amount due after one year		82	159
Bank borrowings - amount due after one year		91,363	79,564
Amount due to associate		100,590	-

	192,035	79,723
	647,340	443,804

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 ("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 except that certain accounting policies have been newly adopted or updated because they become applicable to the current operations of the Group including:

Revenue recognition

Revenue arising from the online game services are recognised on the following basis:

- Online game services income is recognised when the playing units purchased by customers are used in playing the online game. Payments received from the sales of prepaid playing units that have not been used, are recorded as deferred revenue.

Intangible assets

On initial recognition, intangible assets acquired separately or from acquisition of subsidiaries are recognised at cost and at fair value respectively. After initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Intangible assets with indefinite useful lives are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite useful lives are tested for impairment when there is an indication that an asset may be impaired.

On the other hand, 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 & 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 ²
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

	Unaudited	
	six months ended 30 June 2006	2005
	HK\$'000	HK\$'000
Continuing operations:		
Fees and commission income	173,193	95,726
Interest income	–	29
Online game services income	5,729	–
	<u>178,922</u>	<u>95,755</u>
Discontinued operation:		
Sales of furniture and household goods and trendy digital products, net of discounts and returns	–	369,414
Wholesale and retailing of branded household products	–	4,882
	<u>–</u>	<u>374,296</u>

Subsequent to the completion of share placements on 6 April 2005 and 19 May 2005, the Company's interest in CASH Retail Management Group Limited (“CRMG”) was reduced from 66.52% as at 31 December 2004 to 44.69% as at 19 May 2005. The Company's interest in CRMG was 35.60% at the end of the review period. Accordingly, the retailing operation engaged by CRMG was reclassified as discontinued operations under HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operation”. The comparative figures for 2005 were reclassified to conform with the current period presentation.

(4) Business and geographical segments

For management purposes, the Group is currently organised into three main operating divisions, namely, financial services, online game services and investment holding. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Financial services	Broking, financing, corporate finance services and wealth management
Online game services	Provision of online game services in the PRC
Investment holding	Strategic investments

The Group was also involved in retailing. This operation was discontinued at the end of May 2005 (see note 8).

For the activities of financial services and investment holding, they are based in Hong Kong and both the revenue and contribution of these activities are derived from Hong Kong. On the other hand, the online game services are based in the PRC and both the relevant revenue and contribution are derived from the PRC. Therefore, further geographical segment analysis is not necessary.

Income statement for the six months ended 30 June 2006

	Continuing operations			Consolidated
	Financial services	Online game services	Investment holding	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	173,193	5,729	–	178,922
Segment profit (loss)	33,294	(14,578)	(128)	18,588
Net increase in fair value of listed investments held for trading				3,034
Share of profit of associate				13,118
Finance costs				(4,875)
Unallocated corporate expenses				(17,312)
Impairment loss recognised in respect of goodwill				(5,000)
Gain on disposal of partial interest in associate				12,904
Loss on dilution of shareholding in subsidiary				(4,006)
Profit before taxation				16,451
Taxation charge				(4,090)
Profit for the period				<u>12,361</u>

Income statement for the six months ended 30 June 2005

	Continuing operations				Discontinued operation	
	Financial services	Investment holding	Others	Total	Retailing	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	95,726	–	29	95,755	374,296	470,051
Segment profit (loss)	11,208	–	29	11,237	(8,251)	2,986
Net decrease in fair value of listed investments held for trading				(4,378)	–	(4,378)
Loss on dilution of shareholding in associate				(974)	–	(974)
Share of profit in associate				5,197	–	5,197
Finance costs				(5,758)	(2,256)	(8,014)
Unallocated corporate expenses				(15,505)	–	(15,505)
Loss before taxation				(10,181)	(10,507)	(20,688)
Taxation charge				(150)	–	(150)
Loss for the period				<u>(10,331)</u>	<u>(10,507)</u>	<u>(20,838)</u>

In prior period, margin financing interest expenses were classified as one of the items in cost of sales. The Directors consider that it is the common practice of the industry to show the margin financing interest expenses as finance costs in the income statement in order to be more informative to the readers. Accordingly, the comparative figures of the margin financing interest expenses were reclassified to conform with the current period's presentation.

(5) Share of profit in associate

In May 2005, subsequent to the issuance of 83,000,000 shares of HK\$0.02 each by CRMG on 6 April 2005, the issuance of 223,000,000 shares of HK\$0.02 each by CRMG on 19 May 2005 and the exercise of share options resulting in the issuance of 19,833,333 shares of HK\$0.02 each by CRMG on 23 May 2005, the Company's interest in CRMG was reduced from 66.52% as at 31 December 2004 to 44.69% at end of May 2005. The Company's interest in CRMG was further reduced to 40.60% as at 31 December 2005. CRMG has ceased to be a subsidiary of the Group and has been equity accounted for by the Group as an associate company since then. Accordingly, the retail operation of CRMG had been recognised and accounted for as a discontinued operation under HKFRS 5.

On 27 February 2006, the Group disposed to the purchasers (independent third parties) of a total of 54,545,000 shares in CRMG (being about 5% of the entire issued capital of CRMG) at a total consideration of about HK\$30 million. The Group's interest in CRMG was reduced from 40.60% to 35.60%.

(6) Taxation charge

	Unaudited	
	six months ended 30 June 2006	2005
	HK\$'000	HK\$'000
Continuing operations:		
Current period		
Hong Kong Profit Tax	4,090	150
Discontinued operation:		
Tax for the current period	–	–

Hong Kong profits tax for both periods has been provided at the rate of 17.5% on the estimated assessable profits for the Group companies after offsetting the respective tax losses brought forward.

No deferred tax asset in respect of tax losses has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

Part of the deferred tax asset of HK\$2,500,000 has been utilised in current period due to assessable profit expected to be earned by certain subsidiaries. No other deferred tax asset has been recognised in the financial statements due to the unpredictability of future taxable profit streams.

(7) Earnings (Loss) per share

From continuing and discontinued operations

The calculation of basic and diluted earnings (loss) per share attributable to the ordinary equity holders of the Company for the six months ended 30 June 2006 together with the comparative figures for 2005 is based on the following data:

	Unaudited	
	six months ended 30 June 2006	2005
	HK\$'000	HK\$'000
Profit (Loss) for the purpose of basic and diluted loss per share (Profit (Loss) for the period attributable to equity holders of the Company)	1,964	(18,762)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	437,483,827	437,483,827
Effect of dilutive potential ordinary shares on share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	437,483,827	437,483,827

Earnings (Loss) per share

	Unaudited	
	six months ended 30 June 2006	2005
Continuing and discontinued operations		
Basic and diluted earnings (loss) per share	0.4 cent	(4.3) cents
From continuing operations		
The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:		

	Unaudited	
	six months ended 30 June 2006	2005
	HK\$'000	HK\$'000
Profit (Loss) for the period attributable to equity holders of the Company	1,964	(11,681)

Earnings (Loss) per share

	Unaudited	
	six months ended 30 June 2006	2005
Continuing operations		
Basic and diluted earnings (loss) per share	0.4 cent	(2.6) cents
The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.		
From discontinued operation		
The calculation of basic and diluted loss per share from discontinued operation attributable to the ordinary equity holders of the Company is based on the following data:		

	Unaudited	
	six months ended 30 June 2006	2005
	HK\$'000	HK\$'000
Loss for the period attributable to equity holders of the Company	–	(7,516)

Loss per share

	Unaudited	
	six months ended 30 June 2006	2005
Discontinued operation		
Basic and diluted loss per share	–	(1.7) cents

The denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share amount for the six months ended 30 June 2006 was equal to that of basic loss per share as no diluting event existed.

The calculation of diluted loss per share for 2005 did not:

- adjust the share of result of subsidiaries as the exercise prices of the outstanding share options of the subsidiaries were higher than the average market price of the subsidiaries shares; and
- assume the exercise of the Company's outstanding share options as the exercise prices of these options were higher than the average market price of the shares of the Company.

(8) Discontinued operation

The results of the retailing operation for the period from 1 January 2005 to 23 May 2005, which have been included in the consolidated income statement, were as follows:

	Unaudited	
	six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Revenue	-	374,526
Cost of sales	-	(248,565)
Other operating, administrative and selling expenses	-	(124,193)
Depreciation of property and equipment	-	(10,019)
Finance costs	-	(2,256)
Loss before taxation	-	(10,507)
Taxation	-	-
Loss for the period	-	(10,507)

During the period ended 23 May 2005, CRMG paid HK\$33,860,000 in respect of the Group's operation cash flows, paid HK\$71,578,000 in respect of investing activities and received HK\$104,429,000 in respect of financing activities.

(9) Account receivables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	27,030	29,894
Cash clients	77,841	94,958
Margin clients	340,381	270,707
Account receivables arising from the business of dealing in futures and options:		
Clearing houses, brokers and dealers	96,664	70,718
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	3,686	2,275
Account receivables arising from the business of provision of corporate finance service	1,762	1,032
Trade debtors and other account receivables	1,915	188
	<u>549,279</u>	<u>469,772</u>

The settlement terms of account receivables arising from the business of dealing in securities and equity options are two days after trade date, and account receivables arising from the business of dealing in futures and options are one day after trade date.

Except for the loans to margin clients as mentioned below, all the account receivables arising from the businesses of dealing in securities and equity options aged within 30 days.

Loans to margin clients are secured by clients' pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in account receivables from margin clients arising from the business of dealing in securities is an amount due from an entity in which Kwan Pak Hoo Bankee has a beneficial interest and is a Director. Details of the amount due from the entity are as follows:

Name of company	Balance at 30.06.2006 HK\$'000	Balance at 31.12.2005 HK\$'000	Maximum amount outstanding during the period HK\$'000
Cash Guardian Limited ("Cash Guardian")	<u>12,073</u>	<u>11,569</u>	<u>12,073</u>

The above balances are secured by pledged securities and repayable on demand, and bear interest at commercial rates which are similar to the rates offered to other margin clients.

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment plans and products, account receivables arising from the business of provision of corporate finance services and trade debtors, the Group allows a credit period of 30-90 days. The aged analysis is as follows:

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
0-30 days	3,683	2,373
31-60 days	1,469	436
61-90 days	245	5
Over 90 days	1,966	681
	<u>7,363</u>	<u>3,495</u>

(10) Account payables

	30 June 2006 (Unaudited) HK\$'000	31 December 2005 (Audited) HK\$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	398,199	347,961
Margin clients	72,537	77,148
Clearing houses, brokers and dealers	749	-
Account payables to clients arising from the business of dealing in futures and options	142,826	127,446
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	1,078	3,010
Account payables arising from the business of the online game services	311	-
Trade creditors and other account payables	252,367	26,400
	<u>868,067</u>	<u>581,965</u>

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. Except for the amount payables to margin clients, the age of these balances is within 30 days.

Amounts due to margin clients are repayable on demand.

Account payables to clients arising from the business of dealing in futures and options and leveraged foreign exchange contracts are margin deposits received from clients for their trading of these contracts. The excesses of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

No aged analysis for the above account payables is disclosed as in the opinion of Directors, the aged analysis does not give additional value in view of the nature of these businesses.

The aged analysis of trade creditors and other 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	175,494	26,400
31-60 days	40,736	-
61-90 days	25,223	-
Over 90 days	10,914	-
	<u>252,367</u>	<u>26,400</u>

(11) Financial risk management objectives and policies

The Group's major financial instruments include equity investments, statutory and other deposits, bank borrowings, account receivables, account payables, convertible loan note and derivative financial instruments. 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.

Market risk**Foreign exchange risk**

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to receivables from foreign brokers and foreign currency deposits with banks. The Directors monitor the foreign exchange risk and will enter into leveraged foreign exchange contracts to mitigate the foreign currency risk.

Equity price risk

The Group is exposed to equity price risk through its investments in equity securities. The Board of Directors manages the exposure by closely monitoring the portfolio of equity investments.

Interest rate risk

Most of the bank borrowings, that are matured within 3 months and are collateralised by margin clients' securities, carry interest at variable rate which can mitigate the exposure to cash flow interest rate risk. Also, certain of the bank borrowings carry fixed-rate interest. The Group currently does not have a cash flow interest rate risk hedging policy. However, management closely monitors its exposure to future cash flow as a result of changes on market interest rate of a financial instrument will fluctuate because of changes in market interest rates and will consider hedging changes in market interest rates should the need arises.

Credit risk

The Group's maximum exposure to credit risk in the event of failure to perform their obligations as at 30 June 2006 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated balance sheet. In order to minimise the credit risk, the Credit and Risk Management Committee is set up to compile the credit and risk management policies, to approve credit limits and to determine any debt recovery action on those delinquent receivables. In addition, the Group reviews the recoverable amount for each individual account receivables at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regards, the Directors of the Company consider that the Group's credit risk is effectively controlled and significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of clients and foreign brokers.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

As part of ordinary broking activities, the Group is exposed to liquidity risk arising from timing difference between settlement with Clearing House or brokers and clients. To address the risk, treasury team works closely with the settlement division on monitoring the liquidity gap. In addition, for contingency purposes, clean loan facilities are put in place.

(12) Contingent liabilities**Company and subsidiaries**

- Cheung Yiu Wing ("Cheung"), a director and a shareholder of the former King Pacific International Holdings Limited ("KPI"), filed a statement of claim for HK\$60,500,000 against the Company on 18 January 2000 claiming that the Company had orally agreed to purchase from Cheung 50 million shares in KPI at a price of HK\$1.90 per share. Cheung claimed against the Company for, inter alia, damages. In July 2005, the court had delivered the judgment in favour of the Company. Cheung had filed a notice of appeal and the appeal was dismissed by the Court of Appeal on 15 June 2006. The Directors are of the view that the appeal of Cheung would not be successful. Accordingly, no provision has been made in the financial statements.
- During the year ended 31 December 2005, Theodore J Marr ("Marr") filed a cross-summons with the California court in the United States of America against the Company and others alleging breaches of fiduciary duties and/or fraudulent conveyances. Marr's claims in the cross-summons against the Company included US\$900,000 arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US\$15,000,000 arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US\$5,000,000 in respect of each of Marr's cause of action against cross-complainants, and interest. The court had delivered the judgement against Marr and dismissed Marr's claims in September 2006. The Directors do not envisage the claim by Marr will be held to be valid. Accordingly, no provision has been made in the financial statements.
- On 11 May 2006, Hallmark Cards, Incorporated ("Petitioner") filed a petition for a winding-up order against Cosmos Global Limited ("CGL"), a subsidiary of the Company (HCCW 231/06), under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US\$41,591.23 and interest accrued thereon. A winding-up order was made by a master of the High Court on 2 August 2006. Provisional liquidator has been appointed by the court to manage the affairs of CGL on the same date and CGL is now in the process of liquidation.
- In 2003, Ka Chee Company Limited sued against Celestial (International) Securities & Investment Limited, a non-wholly owned subsidiary of the Company, (Hong Kong Case no.: HCCW 317/2005) for an amount of HK\$1,662,598.31. The nature of claim is wind-up petition. A winding up order was made by the court, the liquidator has been appointed, and the winding up procedure is still in progress. Provision which in the opinion of the Directors is adequate has already been made for the claim.
- Pang Po King Annie ("Pang") filed a statement of claim against Celestial Securities Limited ("CSL"), a non-wholly owned subsidiary of the Company, alleging that CSL, without knowledge or authority of or instructions from Pang, had misused the account opened by Pang with CSL to buy 1,046,000 shares of Takson Holdings Limited. The Directors confirmed that the subject transactions were made with knowledge and authority of Pang. The Directors do not envisage the claim by Pang will be held to be valid. The case was in progress and it was in the discovery stage as at 30 June 2006. Accordingly, no provision has been made in the financial statements.

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 recorded revenue of HK\$178.9 million for its financial service division (CASH Financial Services Group Limited ("CFSG")), as compared to HK\$95.8 million for the same period last year. The increase was attributable to the significant growth in securities brokerage income due to the continued speculation over appreciation of RMB as well as the continuous boom of initial public offerings (IPO) during the period, especially for mega China-related enterprises. For the six months ended 30 June 2006, CFSG achieved a net profit attributable to shareholders of HK\$18.7 million as compared with the HK\$11.2 million recorded for the same period last year. The increase in net profit was mainly attributable to the improved performance of its broking business.

Apart from the Group's retailing of furniture and household items and trendy digital products during the current period, its retail business division (CRMG) also comprised operations of department store and store management services upon its acquisition of Oriental Kenzo at the year end of 2005. For the six months ended 30 June 2006, CRMG had recorded a profit of HK\$24.1 million for the period as compared with the profit of HK\$1.1 million for the last corresponding period. Whilst there had been a continuing improvement in the general economy in Hong Kong throughout the period, CRMG's retailing business had still been faced with tough business environments even though its department store business in Beijing had recorded a satisfactory profit for the first half of the year. CRMG 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 upswing of Hong Kong's economy and the improvement in the local consumer market. CRMG 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 be gradually accrued and materialised in the remaining period of the year and the years ahead. In the last quarter of 2005, CRMG launched its lifestyle retail chain stores under the name "LifeZtore" and had since then further expended its resources on developing the chain stores from the local market into the mainland China this year. CRMG's new retail business in the new market was still in a preliminary investment stage and had yet to have any profit contribution. CRMG recorded an operating loss for its local retail business as a result of heavy investment costs having been expended on the new shops and in the new market during the period under review.

The Group recorded a turnaround profit of HK\$2.0 million for the six months ended 30 June 2006 as compared with a loss of HK\$18.8 million for the last corresponding period after taking into account the profit contribution from CFSG and CRMG, the profit on disposal of 54,545,000 shares in CRMG and the loss on dilution of its shareholding in CFSG upon partial conversion of its outstanding convertible loan note.

The Group's total shareholders' equity stood at HK\$185.3 million on 30 June 2006 as compared to HK\$183.3 million at the end of last year. The net increase in equity was attributed to the net profit reported for the period.

As at 30 June 2006, our cash and bank balances were HK\$706.6 million as compared to HK\$488.2 million on 31 December 2005. The increase in cash balances was partly due to consolidating the cash and bank balances of CASH Retail Management (HK) Limited and its subsidiaries ("HK Retail Group") which became the wholly own subsidiaries of the Group in June 2006 and partly due to an increase in clients' deposits as CFSG's clients became more active in trading near the period end. Our liquidity ratio on 30 June 2006 remained healthy at 1.2 times, as compared with 1.3 times on 31 December 2005.

As at 30 June 2006, the Group had a total of bank borrowings of HK\$410.2 million as compared with the total bank borrowings of HK\$251.3 million on 31 December 2005. The increase in bank borrowings was partly due to consolidating the bank borrowings of the HK Retail Group and partly due to a rise in demand of margin financing from CFSG's clients near the period end.

The bank borrowings drawn to fund securities margin financing were collateralised by CFSG's margin clients' securities pledged to us in turn by them for the purpose of securing their financing from us. Cash deposits of HK\$61.9 million were pledged as collaterals for the general banking facilities granted to the Group. In addition, pursuant to a letter of undertaking provided by the Group to a bank, the Group had maintained deposits of HK\$17.4 million with the bank as a pre-condition for an overdraft facility and bank guarantees granted to the Group.

As at 30 June 2006, the Group's building at its market value of approximately HK\$48.0 million was pledged to secure a bank term loan and general banking facilities granted to us.

All of the Group's borrowings are mainly in HK dollar, with the interest rates priced at close to banks' funding costs. By using effective instrument to hedge any adverse changes in foreign exchange and interest rates, our exposure to both foreign currency and interest rate fluctuation was insignificant. As of the end of the period, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch. On 30 June 2006, the Group was holding a portfolio of listed and unlisted investment with a total value of approximately HK\$20.2 million. During the period, a profit of HK\$3.0 million on trading of listed securities and commodities was recorded. Save as aforesaid, the Group had no other material contingent liabilities at the period end.

In September 2005, CFSG announced a major transaction for proposed acquisition of Netfield Technology Limited and its subsidiaries at a consideration of HK\$110 million and several funds raising activities. These transactions were approved and completed in January 2006. Accordingly, 155 million placing shares at a placing price of HK\$0.40 per share and 120 million subscription shares at a subscription price of HK\$0.40 per share were issued by CFSG to the Group and to various independent third parties respectively on 10 January 2006.

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

On 27 February 2006, the Group disposed to the purchasers (independent third parties) of a total of 54,545,000 shares in CRMG (being about 5% of the entire issued share capital of CRMG) at a total consideration of about HK\$30 million. The proceeds were used to finance part of the consideration for the acquisition of the HK Retail Group. The Group's interest in CRMG was reduced from 40.60% before the disposal to 35.60% immediately after the disposal. The disposal gave rise to a gain before taxation of the Group of about HK\$12.9 million.

On 28 August 2006, the boards of the Group and CRMG jointly announced that the sale and purchase agreement (as amended on 25 August 2006) ("S&P Agreement") was entered into between Celestial Investment Group Limited ("CIGL"), a wholly owned subsidiary of the Company, and Fit Top Investments Limited ("Offeror"), a company owned and controlled by Ms Tin Yuen Sin Carol who is a director of CRMG. Under the S&P Agreement, CIGL will dispose of approximately 27.0% shareholding in CRMG to the Offeror for a consideration of HK\$106,187,431.32. Under the Listing Rules, the transaction contemplated under the S&P Agreement after aggregating the disposal of about 5% shareholding in CRMG on 27 February 2006 constitute a major disposal of the Company and require the approval of the shareholders. The Company has received the approval on the disposal from a closely allied group of shareholders who collectively own approximately 53.95% in nominal value of the issued share capital of CRMG. 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 S&P Agreement being fulfilled or waived in accordance with S&P Agreement.

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.

Industry Review

Year 2006 began with a strong note: rising investors' confidence and robust economic growth in Hong Kong. The Hong Kong stock market was filled with optimism and excitement in anticipation of continued growth in corporate profits. Signs of sustained high single-digit economic growth in China and continued speculation over RMB appreciation attracted significant capital inflows into Hong Kong, particularly

into the China-related shares. During the period, the Hang Seng China Enterprises Index had risen by 27.3%. Notably, the IPO market was hot and most IPO issues were heavily sought after, thanks to investors' optimism and abundance of liquidity. Globally, the continued rise in the prices of crude oil, precious metals and commodities to reach decade-long highs has raised concerns over cost-push inflation and posed threat to global economic growth.

On the consumer side, 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%, and 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

After a series of re-engineering and re-positioning exercises carried out during the past few years, the Group has come out of the trough with the gradually improving economy and through the dedicated efforts of a coherent staff team.

During the period under review, CASH continued to focus on developing its two main streams of businesses, namely financial services and retail management.

For CFSG – Financial Services

CFSG achieved significant progress in the first half of 2006 with an increase in revenues and net profit attributable to shareholders.

The Hong Kong stock market made a new turnover record in the second quarter on the heels of the trading momentum carried forward from the first quarter. Our market share by turnover remained strong due partly to the general market strength and partly to the efforts we have invested in the past years to improve our delivery channels and execution platforms. These initiatives have enabled us to attract sales talents, profitable customer groups, and new institutional investors.

CFSG successfully managed to sustain its profitability and maintained respectable growth through superior execution and steadfast adherence to its product enrichment and revenue diversification strategy. We continue to set as an objective to expand and strengthen our wealth management initiatives and investment banking activities while we enjoy the organic growth of our traditional brokerage operations.

The brokerage business, among other business units, continued to experience the fastest growth in the first half while revenues from other businesses continued to show steady and healthy increases. The business had a double-digit increase in sales force in the first half and will continue this recruiting trend as part of the brokerage expansion plan. The enhanced sales platforms that we put in place to deliver better executions have allowed us to successfully expand our client mix from retail to include institutions.

Our wealth management division, while encountering fierce competition, continued to maintain its share of the revenue contribution during the period under review. To solidify and expand its market share in the increasingly competitive market environment, the division will strengthen cross-selling synergy with the house-served brokerage clients.

The investment banking unit continued to be active in sourcing deals in the PRC mid-cap segment after it helped list Lingbao Gold successfully in the first quarter which has drawn good publicity and attention from the financial services industry. The team is working on finalising a number of transactions initiated earlier this year and is also laying out grounds for the coming months.

The asset management business, which was launched last year, experienced healthy growth in the first half. It continues to focus on growing the client base and assets under management while planning to initiate a discretionary portfolio management service.

Our online game business performed in line with the financial targets as set out in the business plan. In the second quarter, it successfully licensed the multi-player online game in Taiwan after the initial launch of the game in the PRC earlier this year. The subsidiary will continue to focus on expanding licensing into other regions and promoting branch offices in the coming months.

In light of our financial achievements in the last three years, CFSG has recently submitted an application for main board listing to raise our corporate profile and broaden our investor base.

We are cautiously optimistic about growth in the coming months. There are challenges and factors ahead that could affect the global and local investment sentiments. The management is specifically concerned about high energy and commodity prices, inflationary pressure, additional US interest rate hikes, and impact of a US economic slowdown and China's macro-tightening policy on the rest of the world. While we have been on track with our business plan thus far, we will remain committed to managing our cost structure and our business overall with a sense of discipline as a good business practice. We will continue to diversify our revenue mix through strengthening existing businesses and enriching product types. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs, executes well and values their business relationships.

For CRMG – Retail Management

During the period under review, CRMG 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.

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, 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 LifeZtore's distinguished product designs, exhilarating store environment and totally committed customer service. Service standards at 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. LifeZtore also obtained Hong Kong Q-Mark Service Scheme certification in the first half of 2006.

To capture the booming Mainland lifestyle market, 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.

The Oriental Kenzo Department Store ("Oriental Kenzo") 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 CRMG, 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 LifeZtore, was sold to the Group 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.

To focus resources on developing the Group's promising businesses with its existing brands, namely CFSG, Pricerite, LifeZtore and 3C Digital, CASH sold its 27.0% shareholding investment in CRMG to an independent third party in September 2006. The Group will continue to pursue its proven strategies to diversify brand and product offerings while at the same time utilising the cost leadership approach to weather challenges and seize opportunities that lie ahead.

EMPLOYEE INFORMATION

At 30 June 2006, the Group had 1,315 employees, of which 328 were at CFSG Group. Our employees were remunerated according to their performance, working experience and market conditions. In addition to basic salaries and Mandatory Provident Fund schemes, we also offered staff benefits including medical schemes, discretionary share options, performance bonus and sales commission. The total amount of remuneration cost of employees of the Group for the period under review was approximately HK\$40.0 million. We continue to organise training to employees in areas such as product knowledge, language, customer service, selling techniques, team building, interview techniques, communication, presentation, coaching, mentoring, time management, problem solving and continuous professional training programmes required by regulatory bodies. Meanwhile, we are also liaising with external consultants to conduct team building, service, selling and orienteering training program.

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 except for the deviations 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 has been in compliance with the CG Code throughout the six months ended 30 June 2006.

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 our 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 Wong Kin Yick Kenneth, Mr Li Yuen Cheuk Thomas, the Independent Non-executive Directors are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.