CASH 時富

CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock code: 1049)

ANNOUNCEMENT
OF
FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2007

CONSOLIDATED INCOME STATEMENT

The audited consolidated results of Celestial Asia Securities Holdings Limited ("Company" or "CASH") and its subsidiaries ("Group") for the year ended 31 December 2007 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2007** **HK$'000**	2006 HK$'000
Revenue	(2)	**1,665,452**	816,622
Other income		**5,828**	4,104
Cost of sales for retailing business		**(485,890)**	(277,100)
Cost of services for online game business		**(83,800)**	(11,906)
Convertible loan note settlement income		**-**	291
Salaries, allowances and commission		**(400,799)**	(228,369)
Other operating, administrative and selling expenses		**(420,659)**	(244,345)
Depreciation of property and equipment		**(39,708)**	(25,252)
Finance costs		**(104,690)**	(63,500)
Net increase in fair value on investments held for trading		**52,106**	18,621
Realised gain on disposal of available-for-sale investments		**456**	-
Net decrease in fair value on derivative financial instruments		**(12,683)**	-
Bad debt recovered		**4,540**	-
Allowance for bad and doubtful debts		**(673)**	(2,876)
Loss on disposal of property and equipment		**-**	(2,331)
Loss on dilution of shareholding in subsidiaries		**(5,623)**	(4,182)
Discount on acquisition of additional interests in subsidiaries		**708**	-
Share of (loss) profit of associates		**(3,370)**	14,374
Gain on disposal of associates		**-**	71,100
Impairment loss recognised in respect of property and equipment		**(1,472)**	(5,951)
Profit before taxation		**169,723**	59,300
Taxation charge	(4)	**(30,079)**	(5,939)
Profit for the year		**139,644**	53,361
Attributable to:			
Equity holders of the Company		**51,902**	32,057
Minority interests		**87,742**	21,304
		139,644	53,361

	Note	2007 HK$'000	2006 HK$'000
Dividend:			
Proposed final dividend -			
31 December 2007: HK$0.04 per ordinary share based on 902,525,740 shares; 31 December 2006: Nil		**36,101**	-
Earnings per share	(5)		
- Basic		**HK$0.07**	HK$0.07
- Diluted		**HK$0.06**	HK$0.06

CONSOLIDATED BALANCE SHEET

	Notes	At 31 December 2007 HK$'000	2006 HK$'000
Non-current assets			
Property and equipment		**109,252**	98,750
Prepaid lease payments		**15,963**	16,378
Investment property		**5,000**	5,000
Available-for-sale investments		**-**	33,392
Goodwill		**233,115**	212,027
Interests in associates		**65,778**	-
Loan to an associate		**10,296**	-
Intangible assets		**68,255**	68,712
Other assets		**9,136**	16,241
Deposits paid for purchase of property and equipment		**16,136**	-
Loan receivables		**692**	656
Deferred tax assets		**-**	1,575
		533,623	452,731
Current assets			
Inventories		**42,028**	49,624
Account receivables	(6)	**938,998**	782,181
Loan receivables		**28,915**	19,275
Prepayments, deposits and other receivables		**91,126**	58,454
Receivable for disposal of an associate		**-**	76,187
Amounts due from associates		**260**	373
Listed investments held for trading		**60,254**	49,325
Deposit with brokers		**131,751**	-
Bank deposits under conditions		**90,183**	78,075
Bank balances - trust and segregated accounts		**928,527**	574,577
Bank balances (general accounts) and cash		**329,501**	168,569
		2,641,543	1,856,640
Current liabilities			
Account payables	(7)	**1,511,664**	1,071,830
Deferred revenue		**4,059**	8,027
Accrued liabilities and other payables		**121,520**	109,467
Payable for acquisition of subsidiaries		**-**	100,590
Taxation payable		**23,149**	4,869
Obligations under finance leases - amount due within one year		**487**	756
Borrowings - amount due within one year		**324,792**	405,189
Derivative financial instruments		**12,683**	-
Loan from a minority shareholder		**27,437**	-
		2,025,791	1,700,728
Net current assets		**615,752**	155,912
		1,149,375	608,643

	2007 HK$'000	2006 HK$'000
Capital and reserves		
Share capital	**90,253**	65,623
Reserves	**557,748**	239,332
Equity attributable to equity holders of the Company	**648,001**	304,955
Share option reserve of a listed subsidiary	**88**	2,496
Minority interests	**492,118**	259,880
Total equity	**1,140,207**	567,331
Non-current liabilities		
Deferred tax liabilities	**7,879**	8,494
Obligations under finance leases - amount due after one year	**40**	541
Borrowings - amount due after one year	**1,249**	32,277
	9,168	41,312
	1,149,375	608,643

Notes:

(1) Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("New HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are effective for accounting periods beginning on or after 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

The application of the New HKFRSs had no material effect on how the Group's results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior years under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards, amendment and interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 23 (Revised)	Borrowing costs [1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments [1]
HK(IFRIC) – INT 11	HKFRS 2 - Group and treasury share transactions [2]
HK(IFRIC) – INT 12	Service concession arrangements [3]
HK(IFRIC) – INT 13	Customer loyalty programmes [4]
HK(IFRIC) – INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction [3]

1 Effective for annual periods beginning on or after 1 January 2009.
2 Effective for annual periods beginning on or after 1 July 2009.
3 Effective for annual periods beginning on or after 1 March 2007.
4 Effective for annual periods beginning on or after 1 January 2008.
5 Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The Directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

(2) Revenue

	2007 **HK$'000**	2006 HK$'000
Fees and commission income	**511,881**	263,032
Interest income	**159,560**	83,067
Online game subscription income	**121,613**	25,316
Sales of online game auxiliary products	**41,669**	9,459
Licensing income	**6,379**	2,476
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**824,350**	433,272
	1,665,452	816,622

(3) Business and geographical segments

Business segments

For management purposes, the Group is currently organised into three main operating divisions, namely, financial services, online game services and retailing. 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, wealth management and securities trading
Online game services	Provision of online game services, sales of online game auxiliary products and licensing services
Retailing	Sales of furniture and household goods and trendy digital products

Segment information about these businesses is presented as follows:

Consolidated income statement for the year ended 31 December 2007

	Financial services HK$'000	**Online game services** HK$'000	**Retailing** HK$'000	**Consolidated** HK$'000
Revenue	671,441	169,661	824,350	1,665,452
Segment profit (loss)	237,875	5,436	(25,709)	217,602
Share of loss of associates				(3,370)
Unallocated corporate income				4,540
Unallocated corporate expenses				(49,049)
Profit before taxation				169,723
Taxation charge				(30,079)
Profit for the year				139,644

Consolidated balance sheet as at 31 December 2007

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	2,414,598	202,809	321,910	2,939,317
Interests in associates				65,778
Unallocated corporate assets				170,071
Consolidated total assets				3,175,166
LIABILITIES				
Segment liabilities	1,688,870	36,486	248,906	1,974,262
Unallocated corporate liabilities				60,697
Consolidated total liabilities				2,034,959

Other information for the year ended 31 December 2007

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions of property and equipment	5,045	21,246	22,086	2,331	50,708
Addition of property and equipment in acquisition of subsidiaries	247	-	-	-	247
Allowance for (reversal of) bad and doubtful debts	1,566	-	(893)	-	673
Bad debt recovered	-	-	-	4,540	4,540
Depreciation of property and equipment	7,403	7,540	23,899	866	39,708
Expenditure on intangible assets	-	5,422	-	-	5,422
Amortisation of prepaid lease payments	-	-	415	-	415
Impairment loss recognised in respect of property and equipment	-	-	1,472	-	1,472

Consolidated income statement for the year ended 31 December 2006

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
Revenue	346,099	37,251	433,272	816,622
Segment profit (loss)	82,337	(27,527)	(25,898)	28,912
Share of profit of associates	-	-	14,374	14,374
Gain on disposal of associates	-	-	71,100	71,100
Unallocated corporate expenses				(55,086)
Profit before taxation				59,300
Taxation charge				(5,939)
Profit for the year				53,361

Consolidated balance sheet as at 31 December 2006

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	1,537,905	182,249	339,433	2,059,587
Unallocated corporate assets				249,784
Consolidated total assets				2,309,371
LIABILITIES				
Segment liabilities	1,230,378	38,932	287,606	1,556,916
Unallocated corporate liabilities				185,124
Consolidated total liabilities				1,742,040

Other information for the year ended 31 December 2006

	Financial services HK$'000	**Online game services** HK$'000	**Retailing** HK$'000	**Unallocated** HK$'000	**Consolidated** HK$'000
Additions of property and equipment	9,416	10,890	7,775	1,685	29,766
Addition of property and equipment in acquisition of subsidiaries	-	9,169	81,163	-	90,332
Allowance for bad and doubtful debts	180	-	2,696	-	2,876
Depreciation of property and equipment	7,056	1,117	16,213	866	25,252
Amortisation of prepaid lease payments	-	-	207	-	207
Loss on disposal of property and equipment	-	98	2,233	-	2,331
Impairment loss recognised in respect of property and equipment	-	-	5,951	-	5,951

Geographical segments

The Group's operations are located in Hong Kong, the People's Republic of China ("PRC") and Taiwan. For the activities of financial services and retailing, they are mainly based in Hong Kong and the revenue of these activities are substantially derived from Hong Kong. The online game business activities are mainly based in the PRC and Taiwan and the relevant revenue for both years are derived mainly from the PRC and Taiwan.

The following table provides an analysis of the Group's revenue by geographical market:

	2007 **HK$'000**	2006 HK$'000
Hong Kong	**1,501,929**	778,066
PRC	**105,394**	26,830
Taiwan	**58,129**	11,726
	1,665,452	816,622

The following is an analysis of the carrying amount of segment assets, additions to property and equipment and expenditure on intangible assets, analysed by the geographical area in which the assets are located:

Carrying amount of segment assets

	2007 **HK$'000**	2006 HK$'000
Hong Kong	**2,724,104**	1,871,917
PRC	**168,685**	148,444
Taiwan	**46,528**	39,226
	2,939,317	2,059,587

Additions to property and equipment and expenditure on intangible assets

	2007	2006
	HK$'000	HK$'000
Hong Kong	**32,441**	17,066
PRC	**11,444**	12,100
Taiwan	**12,492**	600
	56,377	29,766

(4) Taxation charge

	2007	2006
	HK$'000	HK$'000
The charge (credit) comprises:		
Current tax:		
– Hong Kong	**29,047**	4,140
– PRC	**457**	143
	29,504	4,283
Overprovision in prior years	**(385)**	(94)
	29,119	4,189
Deferred taxation	**960**	1,750
	30,079	5,939

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years.

Pursuant to relevant laws and regulations in the PRC, MOLI China Information Technology Limited is entitled to an exemption from PRC income tax for the two years starting from their first profit making year, followed by a 50% tax relief for the next three years. No provision for PRC income tax has made for MOLI China Information Technology Limited for two year ended 31 December 2007 as fiscal year ended 31 December 2007 was its first profit making year. Certain subsidiaries of the Company are operating in PRC. They are subject to a tax rate of 15% because they were registered in 張江高科技園區 (translated as Shanghai Zhang Jiang High Technological Zone).

No provision for taxation has been made for the subsidiary operating in Taiwan as no assessable profit is arisen during the year.

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax ("New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and will affect the PRC subsidiaries of the Company from 1 January 2008. The Directors consider that the effect on deferred tax balance is insignificant.

(5) Earnings per share

The calculation of basic and diluted earnings per share attributable to the ordinary equity holders of the Company for the year are based on the following data:

	2007 **HK$'000**	2006 HK$'000
Profit		
Profit for the purpose of basic earnings per share	**51,902**	32,057
Effect of dilutive potential ordinary shares:		
Interest on convertible loan note	**-**	274
Decrease in share of profits in CASH Financial Services Group Limited and loss on dilution	**(1,379)**	(3,488)
Profit for the purpose of diluted earnings per share	**50,523**	28,843

	2007	2006
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**761,158,343**	463,852,715
Effect of dilutive potential ordinary shares assumed exercise of share options	**25,147,525**	499,003
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**786,305,868**	464,351,718

(6) Account receivables

	2007 HK$'000	2006 HK$'000
Account receivables arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**216,343**	125,450
Cash clients	**166,310**	112,334
Margin clients	**449,162**	443,524
Account receivables arising from the business of dealing in futures and options:		
Clients	**68**	-
Clearing houses, brokers and dealers	**93,032**	83,847
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**5,238**	3,479
Account receivables arising from the business of provision of corporate finance services	**1,442**	372
Account receivables arising from the business of provision of online game services	**6,995**	12,715
Trade debtors arising from retailing business	**408**	460
	938,998	782,181

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 online game services and trade debtors arising from retailing business, the Group allows a credit period of 30 to 90 days. The aged analysis is as follows:

	2007 HK$'000	2006 HK$'000
0-30 days	**9,967**	11,160
31-60 days	**1,192**	2,409
61-90 days	**1,730**	1,693
Over 90 days	**1,194**	1,764
	14,083	17,026

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. The aging of these balances are within 30 days.

Loans to margin clients are secured by clients' pledged securities with fair value of HK$1,827,557,000 (2006: HK$731,854,000). The loans are repayable on demand and bear interest at commercial rates. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of margin financing.

(7) Account payables

	2007 **HK$'000**	2006 HK$'000
Account payables arising from the business of dealing in securities and equity options:		
Cash clients	**963,379**	679,498
Margin clients	**255,425**	106,132
Account payables to clients arising from the business of dealing in futures and options	**151,097**	142,500
Account payables to clients arising from the business of dealing in leveraged foreign exchange contracts	**9,620**	2,798
Account payables arising from the online game services	**6,368**	937
Trade creditors arising from retailing business	**125,775**	139,965
	1,511,664	1,071,830

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. No aged analysis is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of business of margin financing.

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 is disclosed as in the opinion of Directors of the Company, the aged analysis does not give additional value in view of the nature of these businesses.

The account payables amounting to HK$928,527,000 (2006: HK$574,577,000) was payable to clients and other institution in respect of the trust and segregated bank balances received and held for clients and other institution in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with the deposits placed.

Account payables arising from the online game services are payable for production of online game auxiliary products. The entire account payables are aged within 30 days.

Trade creditors arising from retailing business principally comprise amount outstanding for trade purpose and ongoing costs. The average credit period taken for trade purchase is 30 to 90 days.

The following is an aged analysis of trade creditors arising from retailing business at the balance sheet date:

	2007	2006
	HK$'000	HK$'000
0-30 days	**54,474**	57,432
31-60 days	**32,772**	37,468
61-90 days	**22,897**	32,879
Over 90 days	**15,632**	12,186
	125,775	139,965

(8) Contingent liabilities

Company and subsidiaries

(a) 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 (equivalent to approximately HK$7,020,000) arising out of an employment contract between Marr and ILUX Corporation ("ILUX"), a subsidiary of the Company, US$15,000,000 (equivalent to approximately HK$117,000,000) arising out of the dissolution of ILUX, exemplary and punitive damages of not less than US$5,000,000 (equivalent to approximately HK$39,000,000) in respect of each of Marr's causes of action against cross-complainants, and interest. In August 2006, the Company made an application to the California court for the breach of fiduciary duties cause of action against the Company to be dismissed on the ground that Marr lacks standing to assert this cause of action, and in September 2006 the California court dismissed the breach of fiduciary duty claim against the Company. No court decision has been rendered yet in respect of Marr's other causes of action against the Company. No provision has been made in the consolidated financial statements as in the opinion of the Directors, the potential liability arisen from the case is remote.

(b) 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, under which the Petitioner claimed that CGL was indebted to the Petitioner for a sum of US$41,591.23 (equivalent to approximately HK$324,000) 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.

(c) In 2003, Ka Chee Company Limited instituted a winding-up proceedings against Celestial (International) Securities & Investment Limited ("CISI"), a subsidiary of the Company, for an amount of HK$1,662,598. A winding-up order was made by the court, the liquidator has been appointed to wind-up CISI, and the winding-up procedure is still in progress. Provision, which in the opinion of the Directors of the Company is adequate, has already been made for the claim.

(9) Commitments

Capital commitments

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

	2007	2006
	HK$'000	HK$'000
Capital expenditure commitment in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**30,241**	-

DIVIDEND

The Board recommends the payment of 2007 final dividend of HK$0.04 per share for the year ended 31 December 2007 (2006: Nil). Subject to the approval of the 2007 final dividend by the Shareholders at the forthcoming annual general meeting, it is expected that the final dividend will be paid on 13 June 2008 to the Shareholders whose names appear on the register of members on 4 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 4 June 2008 (Wednesday) to 6 June 2008 (Friday) (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Standard Limited, at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 pm on 3 June 2008 (Tuesday).

REVIEW AND OUTLOOK

Financial Review

Financial Performance

For the year ended 31 December 2007, the Group recorded revenue of HK$1,665.5 million as compared to HK$816.6 million in the previous year. The increase in revenue was partly due to the significant growth in financial services income recorded by the Group's financial services division (CASH Financial Services Group Limited ("CFSG")) for the current year, and partly due to having consolidated the revenue of the retailing management division (CASH Retail Management Group Limited ("CRMG")) for the full year of 2007 subsequent to the completion of its acquisition by the Group in June 2006.

Taking into account the operating profits of CFSG and the Group's online game business ("Moli Group", the holding company being Netfield Technology Limited) and the operating loss of CRMG, the Group recorded a net profit attributable to shareholders of HK$51.9 million for the year ended 31 December 2007 as compared to HK$32.1 million for the previous year.

Financial Services – CFSG

For the year ended 31 December 2007, CFSG achieved a net profit attributable to shareholders of HK$207.8 million as compared to HK$39.9 million as recorded in the previous year. Such a significant increase was mainly attributable to an improved performance of CFSG's broking business.

CFSG recorded revenue from its financial services of HK$671.4 million for the year ended 31 December 2007 as compared to HK$346.1 million for the previous year. The increase was attributable to the significant growth in CFSG's brokerage business and interest income from its financing activities for the year, which in turn, was mainly due to the buoyant stock markets in Hong Kong and the PRC throughout 2007.

Retail Management – CRMG

CRMG still recorded a net loss for the year ended 31 December 2007 even though Pricerite had already recorded a profit of HK$34.6 million for the year under review. Benefiting form the stable growth in the Hong Kong economy and the territory's property boom in the second half of the year, Pricerite recorded a mild growth in revenue to HK$665.7 million for the current year (2006: HK$642.7 million) while achieving a continued improvement in its gross profit margins for the household products amid the recent rises in merchandising costs as a result of the appreciation of RMB against Hong Kong dollar. The achievement was partly due to the local strong domestic consumption and partly due to Pricerite's consistent improvement in its services and products quality and operational effectiveness, including the recent overhaul brand rejuvenation for its retail network. The Group's other retail businesses, namely 3C Digital and LZ LifeZtore, still recorded operating losses during the year under review. Without having succeeded in turning around 3C Digital's unsatisfactory results, the Group had decided to downsize its digital retail business and moved the 3C Digital stores into certain Pricerite shops as digital corners by the end of the year. During the year, LZ LifeZtore had opened two new stores in Shanghai and at the same time closed down one store in Hong Kong in order to devote more of the Group's resources to the expansion of its retail business in the PRC market. LZ LifeZtore, still in the early investment stages, had yet to make any profit contribution to the Group even though the year of 2007 had seen a strong growth in the top line of the new stores.

Online Game Business – Moli Group

For the year ended 31 December 2007, Moli Group recorded a turnaround profit of HK$5.4 million from an operating loss recorded in the previous year. It had seen its revenue grow by 3.6 times to HK$169.7 million over the previous year subsequent to the commercial launch of "CABAL", its first licensed 3-D massively multiplayer online role-playing game ("MMORPG") in PRC at the beginning of the year. Subsequent to the successful launch of "CABAL" and its first in-house developed 3-D MMORPG "King of Pirate", Moli Group continued to launch new games, either developed in-house or licensed from overseas developers, on a regular basis on various styles of storylines and designs to expand and diversify its game portfolio. By diversifying its game portfolio and licensing these games to the operators in overseas regions and countries, Moli Group, in the long run, will cater to all the major market segments and player demographics, which, in turn, will generate a scaleable income to the Group for the years to come.

Liquidity and Financial Resources

The Group's total equity amounted to HK$1,140.2 million on 31 December 2007 as compared to HK$567.3 million at the end of the previous year. The improvement, apart from the net profit reported for the year, was mainly attributed to the issue of a total of 230.3 million new shares in the Company, raising approximately HK$315.2 million (before expenses) to strengthen the capital bases during the year.

On 31 December 2007, our cash and bank balances were HK$1,348.2 million as compared to HK$821.2 million at the end of the previous year. The increase in cash and bank balances was the combined results of the cash generated from the operating profit of CFSG, the proceeds raised by the aforesaid issue of new shares in the Company, the proceeds raised upon completion of a 5 for 2 rights issue by CFSG in November 2007 and an increase in clients' deposits of CFSG at the year-end date. CFSG's clients would like to place more readily liquid fund with CFSG for catching instant investment opportunities under active market conditions. The liquidity ratio on 31 December 2007 remained healthy at 1.3 times as compared with 1.1 times on 31 December 2006.

Our total bank borrowings on 31 December 2007 were HK$326.0 million as compared with the total bank borrowings of HK$437.5 million on 31 December 2006. The substantial decrease in borrowings was partly due to partial repayments of the bank borrowings with the net proceeds raised by the aforesaid rights issue by CFSG in November 2007, and partly due to the reduction in margin financing needs by CFSG's clients in the last quarter of 2007 as a result of the unfavourable investment sentiment caused by the recent sub-prime crisis in USA and the global credit crunch.

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$90.2 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 not less than HK$15.0 million with the bank as a pre-condition for an overdraft facility granted to the Group.

As at 31 December 2007, the Group's property at its market value of approximately HK$60.0 million was pledged to secure a bank term loan and general banking facilities granted to us.

The ratio for our interest bearing borrowings to total equity was 0.29 on 31 December 2007 as compared to 0.77 on 31 December 2006.

Save as aforesaid, the Group had no other material contingent liabilities at the year-end.

Foreign Exchange Risks

As of the end of the year, the Group did not have any material un-hedged foreign exchange exposure or interest rate mismatch.

Material Acquisitions and Disposals

In March 2007, the Group disposed of all the remaining 7.89% shareholding interest in a listed company now known as Oriental Ginza Holdings Limited (stock code: 996) at a total consideration of about HK$19.8 million. The sale of investments resulted in a gain of approximately HK$0.5 million for the Group for the year.

In June 2007, the Group acquired the whole interest in Moli Group from CFSG at a final consideration of HK$120 million. The acquisition was approved by the independent shareholders of the Company at a special general meeting held on 23 April 2007.

In June 2007, the Company, through Marvel Champ Investments Limited (a 65%-owned subsidiary of CFSG), formed an associate with two independent third parties. The associate, in turn, invested in a property developed in Shanghai, the PRC that comprises an 11-storey office tower, a single-storey retail podium and a single-storey car-parking basement, and part of property is used as the Group's offices. According to the preliminary plan, the maximum commitment of the Group was up to RMB150 million (approximately HK$153.2 million). During the year, the associate had also sought certain banking facilities as the partial payment for the purchase price of the property. The Group will provide its share of corporate guarantee for the banking facilities, if required. Accordingly, the outstanding capital contribution of the Group was reduced to HK$84.4 million. Up to 31 December 2007, total amounts of HK$78.1 million had been paid to the associate by the Group as its share of capital contribution and shareholders' loans. The Group's remaining capital contribution on this project was HK$6.3 million.

Subsequent to the balance sheet date in January 2008, Netfield Technology Limited, a subsidiary of the Company, issued a total of 60,000 new shares to an independent third party at a subscription price of US$100 per share, raising new funds of US$6 million (before expenses) to develop and expand the online game business. The transaction resulted in the dilution of the Group's interest in Netfield Technology Limited from 100% to 96.6% and was regarded as a deemed disposal of the Company. This resulted in a gain on deemed disposal of approximately HK$46.2 million for the Group in 2008.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2007.

Capital Commitments

The Group has another capital commitments of HK$30.2 million in relation to the decoration works and acquisitions of equipment as at 31 December 2007.

Save as aforesaid, the Group did not have any material capital commitment at the end of the year.

Material Investments

As at 31 December 2007, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$60.3 million and a gain on such investments of HK$39.4 million was recorded for the year.

Save as aforesaid, the Group did not hold any significant investment during the year nor did we have any future plans for material investments or capital assets.

Industry and Economic Review

Economic growth in 2007 remained strong, with GDP growth reaching 6.3% in real terms. Domestic demand was an important driver amid upbeat consumer and business confidence. Total employment expanded more than the labour force, helping the unemployment rate average 4.0% in 2007, noticeably down from 5.6% in 2005 and 4.8% in 2006.

The Hong Kong stock market continued to be buoyant throughout 2007, with a robust growth in the second half of the year after the US began to cut interest rates to stimulate its economy. The bellwether indices as well as market turnover soared to record highs, fuelled by optimism over the 2008 Beijing Olympics, Renminbi-denominated asset appreciation, and possible implementation of thru-train investment scheme to the Hong Kong stock market by the Mainland individuals. The Hang Seng Index reached a historic high of 31,958 on October 30 and subsequently concluded the year with a 39% increase. In addition, the daily market turnover and the single day ups-and-downs also made new records during the fourth quarter. On the back of these market records, continued influx of liquidity, and strong investors' sentiment, average daily market turnover reached HK$88 billion, an 159% increase compared to the same period last year.

The Hong Kong retail sector remained robust during 2007, with total retail sales increasing 12.8% in value and 10.1% in volume over 2006. Polarisation of consumption persisted. Interest rate cuts fuelled a strong rise in the property market in 2007. As a result, total retail sales of furniture and fixtures in Hong Kong grew 11.1% during the year. However, surging rents, labour shortages, increasing labour costs, escalating operating and merchandising costs due to the RMB's appreciation against the Hong Kong dollar continued to present challenges to the retail operating environment.

Business Review and Outlook

Financial Services – CASH Financial Services Group

China Development

Our key strategy in 2007 was our positioning in China. Business potential in the Mainland seems unprecedented in recent history as deregulation in the financial sector continued to accelerate. The market is poised to take off thanks to the high savings rate, strong pent-up demand for investment vehicles, and rapid product innovation. To capture these market opportunities and capitalise on these exciting changes, we acquired an office building in Shanghai in preparation to set up our Mainland headquarters there, where we have had a representative office for many years, to further strengthen our capacity and sales network.

The headquarters in Shanghai is strategically placed to lead our future growth in China. Our Hong Kong head office will gear up its execution and control capability to underpin the development in China and remain as a sales and management centre. In addition to the headquarters in Shanghai and operation support centre in Shenzhen, we plan to extend our network in China by setting up branch offices in Chongqing and Beijing by mid 2008. These local offices will carry our brand and serve as contact points for potential clients and marketing means for publicity.

Over the past years, we have developed a network of financial services partners and formed strategic alliances with a number of well-known brokerage firms in the Mainland. These tie-ups have been instrumental in bringing in new co-marketing opportunities from Mainland expand our network, and strengthen our brand.

Our investment banking group started to market its business to the Mainland enterprises since the late nineties. It has developed a good network of connections with corporations, local government offices and regulatory bodies, particularly in the provinces of Shandong, Shanxi, Henan, and Guangxi. Many of these relationships have been long-standing and trustworthy. To further strengthen and nurture these established connections, we plan to setup representative offices in these provinces during 2008. These offices will also serve as liaison offices for other business units.

Our plan is to position the operations in Hong Kong as a fully-fledged sales and execution centre equipped with a full range of product selection, a scaleable and stable platform with a technologically advanced system to provide a boundary-less and interactive service experience.

Securities Broking

We successfully increased our market share as a result of our strategy to bring in a mix of active trading business to our mature and stable brokerage component over the past year. The new business was originally brought in to compensate for the impact of reduced commission on the industry. The result of this new addition has not only increased our revenue, but also raised our securities turnover. What was more significant was that the investments in I.T., management and people in the past to build up a reliable and scalable trading platforms, and broaden our delivery channels have helped us meet the continued increase in trading volume without compromising our service quality at all time.

With the addition of the active trading business and the abundant inflow of international funds into Hong Kong in anticipation of the appreciation of RMB and RMB denominated assets, our securities turnover increased by more than 1.5 times last year. This was also partly attributable to the large inflow of funds after the announcement that Mainland individuals would be allowed to invest directly in the Hong Kong stock market and the commencement of QDII investments. Though the IPO market was not as strong as 2006 in terms of total funds raised, that did not seem to impact the confidence of the investing public. The strong appetite for IPO subscriptions increased the demand for margin financing which was another component of our revenue.

Wealth Management

The wealth management business made a number of significant changes including the re-engineering of its pricing and payout scheme to attract and retain sales professionals over the past year. In addition, it strengthened the recruitment to nearly double the number of sales representatives. As a result of these changes, its sales revenue increased by a high double-digit and the earnings before interest and tax doubled. With a view to enhancing its service experience, the business unit launched an after-sale survey, a pioneer in its field, to gather feedback and strengthen client relationships.

Asset Management

The asset management business is a showcase of our successful strategy of product and income diversification over the years. The service provides us with a lever to tap into the high-net-worth segment where demand for personalised professional asset management service is growing. The business model provides us with a growing opportunity to increase our base income with considerable incentive revenues earned when we achieve higher returns for our clients. Over the past year, the portfolio of our asset management business doubled in value, thanks to the general market strength and good investment strategies. A number of portfolios have recorded out-performance. Income generated from portfolio management and performance has nearly doubled.

Investment Banking Group

In investment banking, corporate activities such as M&As, secondary fund raisings, assets injections seemed to have dominated the market. After a record 2006, IPOs remained robust. Under this favourable environment, the investment banking unit was particularly active in financial advisory and special transactions. It continued to look for IPO sponsorships opportunities for emerging private and state-owned enterprises in China. Its strategic focus was to broaden and deepen client relationships with medium-sized companies and to finalise a number of transactions initiated earlier. We believe that our expertise in special transactions with a global perspective is our key competitive edge to cater for Mainland enterprises to go to the international market.

Main board listing

We set our corporate objectives four years ago to achieve a respectable growth rate and to change our listing to the main board. As we have achieved all our financial targets and strategically positioned ourselves to participate in the eventual opening up of the financial markets in China, it is our belief that time is right to move our listing to the main board and we accomplished the migration on 3 March 2008 (stock code 510).

Outlook

2008 is the year for building up our platform and strategically establishing our business momentum in China. We are determined to expand our existing networks which are pivotal to business referrals in securities broking, wealth management, and investment banking business. Specifically, we plan to set up two new sales offices and four representative offices to complement our branches in Shanghai and Shenzhen.

The Group is generally optimistic about the business outlook for 2008. Hong Kong's GDP is expected to show a reasonable growth of 4.3% while liquidity remains abundant in anticipation of the Renminbi-asset appreciation and continued high growth in the Mainland. The expectation of interest rate cuts in the US and the rising negative real interest rates in the territory will continue to boost the Hong Kong property market.

Granted, there are challenges and factors ahead that could affect the global and local investment environment, such as the global credit crunch, continued consumer and food price inflation, severe slowdown of the US economy, tension in the Middle East which has resulted in high energy prices, and China's macroeconomic tightening and its impact on the rest of the world.

Locally, we have built a strong platform that positions us favourably as we aim to accelerate the pace of growth. With the PRC market as our future expansion focus, we continue to equip our platform with multi-faceted and diversified capabilities in anticipation of the eventual opening up of the financial markets in the Mainland. In the meantime, we will continue to collaborate with Mainland securities and brokerage firms for co-marketing opportunities. Overall, we will continue to diversify our revenue mix through strengthening existing businesses, enriching product types, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as clients' financial services house of choice that has comprehensive product offerings to meet their diverse financial needs and values their business relationships.

Retail Management – CASH Retail Management Group

Pricerite

The retail operating environment continued to be challenging in 2007. Soaring rentals, labour shortages, escalating operating costs, and surging merchandising costs due to the appreciation of the RMB against the Hong Kong dollar all put pressure on retailers. Despite this, Pricerite still managed to report double-digit growth in profits. This remarkable achievement was mainly attributable to the continuous improvement of Pricerite's services, product quality, product sourcing capabilities, and operating efficiency.

During the year under review, Pricerite further refined its merchandise mix to better suit customers' preferences. We consolidated our lower-margin large electrical appliance range, strengthened the furniture and household product divisions, and improved both our direct sourcing capabilities and the efficiency of our store operations. We also enhanced Pricerite's brand value by launching more targeted and intensive marketing campaigns.

Most importantly, we successfully further improved the quality of our customer service, as demonstrated by the numerous awards we received from the industry and community recognising the strength of our brand and services.

Service awards included a Certificate of Merit in the Hong Kong Awards for Industries Customer Service category, organised by the Hong Kong Retail Management Association, and the Customer Relationship Excellence Awards in the annual regional awards event organised by the Asia Pacific Customer Service Consortium. Pricerite's frontline professionals continued to excel in the Hong Kong Management Association's Distinguished Salesperson Awards in 2007, the fourth consecutive year that Pricerite's staff gained such recognition.

Priceite also obtained Top Service Brand accreditation from the Hong Kong Brand Development Council and the Chinese Manufacturers' Association of Hong Kong, a Best Potential Brand Enterprise Award from the Hong Kong Productivity Council, a Hong Kong and Macau Merchants of Integrity Award from the Guangzhou Daily, Superbrands accreditation from the Superbrands organisation.

To extend our "Caring" philosophy to the community, Pricerite partnered the Hong Kong Institute of Architects and Hong Kong Christian Service in "Building ● Power", a community project that sought to improve the living conditions of underprivileged families. Furniture and home appliances were replaced and renovations carried out for a number of families in different areas of the city, including Sham Shui Po and Tin Shui Wai. The project received an Outstanding Partnership Project Award 2006/2007 from the Hong Kong Council of Social Service.

Pricerite will continue to advance operating efficiency, and extend its "Caring" philosophy to the community and environment as well as customers and employees.

3C Digital

Interest rate cuts and the continuous depreciation of the US and Hong Kong dollars saw escalating rental and operating costs affect retailers. This led to further refinement of the business model for our trendy digital product business. We moved our 3C Digital stores into certain Pricerite shops as digital corners. We will continue to develop innovative and personalised services, and broaden the range of digital products for our customers.

LZ LifeZtore

LZ LifeZtore is committed to becoming a leading lifestyle home-product provider in China. During the year under review, we devoted more resources to developing our Mainland business. We opened two larger retail outlets in Shanghai, while closing one of our Hong Kong stores with less growth potential. The move provided a solid platform for our next step to extend our network in China.

Brand awareness was further raised by media campaigns. The overwhelming response from a TV promotional campaign contributed to the successful extension of product distribution to high-end strong-growing TV sales channels.

Our established product design team and merchandising expertise provided a FUNctional living experience through world-class designer products and our own signature products, a concept that was well received by the growing middle class in Mainland China.

In 2007, LZ LifeZtore kept one step ahead by introducing its own collection of furniture and home accessories. The series embraced a global vision and the brand concept was further established through participation at international trade fairs and export sales. Products could be found in several countries, including France, Germany, UK, the Netherlands, Switzerland and USA.

LZ LifeZtore is committed to service excellence and, for the second consecutive year, we received both a Service and Courtesy Award (Supervisory Level) from the Hong Kong Retail Management Association and Distinguished Salesperson Awards from the Hong Kong Management Association.

Our dedication to promoting design and creative industrialisation in Mainland China saw a series of events staged with renowned colleges in Shanghai and overseas. These activities achieved their objective of encouraging cross-cultural design.

Entertainment Portal – Moli Group

Moli Group, our online game business, achieved remarkable revenue and user base growth in Mainland China, Taiwan and overseas during the year under review. In the past year, Moli Group expanded its product pipeline, providing a mix of massively multiplayer online role-playing games (MMORPGs), namely King of Pirate, CABAL, Zero of the World, together with casual games, such as Gunbound Online and Dragon Tiger Gate. In addition, a network of more than 20 offices in major cities in Mainland China and Taiwan gave extensive market penetration, enabling Moli Group to cater to changing user preferences and market trends.

Moli Group has won high acclaims in the online game industry over the past year, such as the Best New Online Game Company in the 3rd China Game Industry Annual Conference (CGIAC), Top Ten Customer Service Online Game Company 2007 from 17173 China Remarkable Online Game List, etc. King of Pirate has won the Golden Finger Award of the Best Online Game in Overseas Development from China Software Industry Association. CABAL is awarded with “Top Ten 3D Online Game Award 2007” and “Top Ten Online Game with the Best Music and Audio Effect” from 17173.

Moli Group, a leading international game distributor in Mainland China, has built an effective game distribution platform over the past year. For example, King of Pirate was successfully launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand and North America in three different language versions. Moli Group has also seen positive reception of products and maintenance services from overseas partners.

The online gaming industry has experienced remarkable growth in the past few years in Mainland China and growth potential remains robust. The situation has enabled Moli Group to both pursue sustainable development and establish a competitive position in the country's online gaming industry. To deliver a total online gaming experience to players, Moli Group strives for operational consistency, customer service excellence and to continuously build on our technological strengths. Moli Group will also utilise our extensive local knowledge to actively extend our operating network to other cities in Mainland China.

Free-to-play (FTP) remains the major operating model for online games launched in Mainland China. Instead of billing players for time spent, players can play games free of charge and enhance their experience by purchasing in-game virtual items and value-added services. Given the proven success of the FTP model, Moli Group will continue to adopt this operating mode in the future. With respect to our product pipeline, Moli Group plans to launch three to five games in 2008, including MMORPGs, casual games and web games.

Development of domestic online games will be the main focus for the online gaming industry due to evolving player tastes and expectations regarding localised game content and features. As domestic online games are gaining more presence and popularity, Moli Group will further strengthen research and development capabilities through local staff recruitment or acquisitions of game development houses.

With our strong foundation and existing links with leading online game operators in different countries, Moli Group will seek to enhance game distribution capabilities by expanding our game portfolio and geographical presence in order to license games to more countries and regions.

EMPLOYEE INFORMATION

At 31 December 2007, the Group had 1,835 employees, of which 283 were at the CFSG Group. 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 year under review was approximately HK$236.7 million.

Benefits

The Company and some of its subsidiaries provide employee benefits including mandatory provident fund scheme, medical insurance scheme, discretionary share options, performance bonus and sales commission for their staff. The Company also provides its employees in the PRC with medical and other subsidies, and contributes to the retirement benefit plans.

Training

The Group has implemented various training policies and organised a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group including training in areas such as product knowledge, customer service, selling techniques, supply management, team building, communication, presentation, coaching and also professional regulatory training programs as required by regulatory bodies. The Group also arranges for relevant staff, who are licensed persons under the SFO to attend the requisite training courses to fulfill/comply with the Continuous Professional Training as prescribed in the SFO.

The Group conducts an initial staff orientation for new employees in order to familiarise them with the Group's history and strategy, corporate culture, rules and regulations and safety measures. This orientation is designed to integrate the employees into the Group and, the Directors believe, helps improve productivity of new employees at an early stage.

CORPORATE GOVERNANCE

The Board has adopted a set of corporate governance principles ("Principles") which aligns with or is more restrictive than all requirements set out in the Code on Corporate Governance Practices ("CG Code") and the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in the Listing Rules. The Board had also in writing made specific enquiry to each executive Director ("ED(s)") and independent non-executive Director ("INED(s)") in respect of the due compliance of the rules and principles relevant to the Model Code. During the CG Period, the Principles had been duly complied 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 EDs. During the period of 1 January 2007 and 7 September 2007, the Company has not maintained a CEO as the roles and responsibilities of the CEO was shared and jointly saddled by all EDs. However, since the appointment of Mr Lin Che Chu George as the CEO on 8 September 2007, the CG Code A.2.1 had been fully complied.

Save for the above, the Company has been in compliance with the CG Code and the Model Code throughout the CG Period.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2007 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the year ended 31 December 2007, neither our Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 December 2007 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

On behalf of the Board
Bankee P Kwan
Chairman

Hong Kong, 21 April 2008

As at the date hereof, the executive Directors are Mr Kwan Pak Hoo Bankee, Mr Lin Che Chu George, Mr Law Ping Wah Bernard and Mr Wong Kin Yick Kenneth, and the Independent Non-executive Directors are Mr Leung Ka Kui Johnny, Mr Wong Chuk Yan and Dr Chan Hak Sin.