CELESTIAL ASIA SECURITIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 together with the comparative figures for the last corresponding year are as follows:

	Notes	**2008** **HK$'000**	2007 HK$'000
Revenue	(2)	**1,312,746**	1,665,452
Other income		**10,645**	5,828
Cost of sales for retailing business		**(498,173)**	(485,890)
Cost of sales and services for online game business		**(59,077)**	(83,800)
Salaries, allowances and commission		**(319,664)**	(400,799)
Other operating, administrative and selling expenses		**(476,913)**	(420,659)
Depreciation of property and equipment		**(46,607)**	(39,708)
Finance costs		**(30,453)**	(104,690)
Net (loss) gain on financial assets at fair value through profit or loss		**(239,721)**	52,106
Realised gain on disposal of available-for-sale investments		**-**	456
Fair value change on derivative financial instruments		**235**	(12,683)
Bad debt recovered		**1,802**	4,540
Reversal of (Allowance for) bad and doubtful debts		**176**	(673)
Loss on disposal of property and equipment		**(4,241)**	-
Loss on disposal of subsidiaries		**(3,292)**	-
Gain (Loss) on dilution of shareholding in subsidiaries		**41,655**	(5,623)
Discount on acquisition of additional interests in subsidiaries		**-**	708
Share of profit (loss) of associates		**39,096**	(3,370)
Impairment loss recognised on goodwill		**(84,687)**	-
Impairment loss recognised on intangible assets		**(5,420)**	-
Impairment loss recognised on accounts and other receivables		**(22,319)**	-
Impairment loss recognised in respect of property and equipment		**(2,869)**	(1,472)
(Loss) Profit before taxation		**(387,081)**	169,723
Taxation charge	(4)	**(9,425)**	(30,079)
(Loss) Profit for the year		**(396,506)**	139,644

	Note	**2008** **HK$'000**	2007 HK$'000
Attributable to:			
Equity holders of the Company		**(358,113)**	51,902
Minority interests		**(38,393)**	87,742
		(396,506)	139,644
Dividend:			
Proposed final dividend -			
31 December 2008: Nil;			
31 December 2007: HK$0.04 per ordinary share		**-**	36,101
(Loss) Earnings per share	(5)		
- Basic		**HK$(1.98)**	HK$0.34
- Diluted		**N/A**	HK$0.32

CONSOLIDATED BALANCE SHEET

	Notes	At 31 December 2008 HK$'000	2007 HK$'000
Non-current assets			
Property and equipment		**172,019**	109,252
Prepaid lease payments		**15,548**	15,963
Investment property		**-**	5,000
Available-for-sale investments		**-**	-
Goodwill		**192,547**	233,115
Interests in associates		**111,684**	65,778
Loan to an associate		**10,296**	10,296
Intangible assets		**55,929**	68,255
Other assets		**9,447**	9,136
Deposits paid for purchase of property and equipment		**63,271**	16,136
Loan receivables		**671**	692
		631,412	533,623
Current assets			
Inventories		**39,263**	42,028
Accounts receivable	(6)	**305,923**	938,998
Loan receivables		**13,677**	28,915
Prepayments, deposits and other receivables		**73,045**	91,126
Tax recoverable		**1,230**	-
Amounts due from associates		**260**	260
Listed investments held for trading		**79,155**	60,254
Deposit with brokers		**2,730**	131,751
Bank deposits under conditions		**101,719**	90,183
Bank balances - trust and segregated accounts		**542,079**	928,527
Bank balances (general accounts) and cash		**327,480**	329,501
		1,486,561	2,641,543
Current liabilities			
Accounts payable	(7)	**823,593**	1,511,664
Deferred revenue		**5,981**	4,059
Accrued liabilities and other payables		**85,714**	121,520
Taxation payable		**24,072**	23,149
Obligations under finance leases - amount due within one year		**127**	487
Borrowings - amount due within one year		**383,071**	324,792
Derivative financial instruments		**3,067**	12,683
Loan from a minority shareholder		**27,437**	27,437
		1,353,062	2,025,791
Net current assets		**133,499**	615,752
		764,911	1,149,375

	2008	2007
	HK$'000	HK$'000
Capital and reserves		
Share capital	**18,051**	90,253
Reserves	**240,344**	557,748
Equity attributable to equity holders of the Company	**258,395**	648,001
Share option reserve of a listed subsidiary	**-**	88
Minority interests	**370,324**	492,118
Total equity	**628,719**	1,140,207
Non-current liabilities		
Deferred tax liabilities	**7,606**	7,879
Obligations under finance leases - amount due after one year	**315**	40
Borrowings - amount due after one year	**128,271**	1,249
	136,192	9,168
	764,911	1,149,375

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 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) – INT 11	HKFRS 2 - Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

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 not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1	First-time adoption of financial reporting standards [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [2]
HKFRS 8	Operating segments [2]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) - INT 13	Customer loyalty programmes [5]
HK(IFRIC) - INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) - INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC) - INT 18	Transfer of assets from customers [7]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009.
[3] Effective for annual periods beginning on or after 1 July 2009.
[4] Effective for annual periods ending on or after 30 June 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

(2) Revenue

	2008	2007
	HK$'000	HK$'000
Fees and commission income	**278,464**	511,881
Interest income	**38,605**	159,560
Online game subscription income	**82,893**	121,613
Sales of online game auxiliary products	**27,020**	41,669
Licensing income	**6,724**	6,379
Sales of furniture and household goods and trendy digital products, net of discounts and returns	**879,040**	824,350
	1,312,746	1,665,452

(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 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 2008

	Financial services HK$'000	**Online game services** HK$'000	**Retailing** HK$'000	**Consolidated** HK$'000
Revenue	317,069	116,637	879,040	1,312,746
Segment loss	(211,984)	(191,697) (Note)	(4,483)	(408,164)
Share of profit of associates				39,096
Gain on dilution of shareholding in subsidiaries				41,655
Unallocated corporate income				1,802
Unallocated corporate expenses				(61,470)
Loss before taxation				(387,081)
Taxation charge				(9,425)
Loss for the year				(396,506)

Note: Segment loss of online game services represented an operating loss of HK$107.0 million and impairment loss recognised on goodwill of HK$84.7 million.

Consolidated balance sheet as at 31 December 2008

	Financial services HK$'000	**Online game services** HK$'000	**Retailing** HK$'000	**Consolidated** HK$'000
ASSETS				
Segment assets	1,456,846	136,125	316,175	1,909,146
Interests in associates				111,684
Unallocated corporate assets				97,143
Consolidated total assets				2,117,973
LIABILITIES				
Segment liabilities	998,689	30,654	242,330	1,271,673
Unallocated corporate liabilities				217,581
Consolidated total liabilities				1,489,254

Other information for the year ended 31 December 2008

	Financial services HK$'000	Online game services HK$'000	Retailing HK$'000	Unallocated HK$'000	Consolidated HK$'000
Additions to property and equipment	98,799	8,823	18,074	1,832	127,528
Allowance for (Reversal of) bad and doubtful debts	900	-	(1,076)	-	(176)
Impairment loss recognised on accounts and other receivables	-	22,319	-	-	22,319
Impairment loss recognised on intangible assets	-	5,420	-	-	5,420
Impairment loss recognised on goodwill	-	84,687	-	-	84,687
Depreciation of property and equipment	15,655	8,648	19,887	2,417	46,607
Amortisation of prepaid lease payments	-	-	415	-	415
(Gain) Loss on disposal of property and equipment	(35)	-	4,276	-	4,241
Impairment loss recognised in respect of property and equipment	-	-	2,869	-	2,869
Net loss on financial assets at fair value through profit or loss	239,721	-	-	-	239,721

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 to property and equipment	5,045	21,246	22,086	2,331	50,708
Addition to 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
Net gain on financial assets at fair value through profit or loss	(52,106)	-	-	-	(52,106)

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 location of its customers:

	2008	2007
	HK$'000	HK$'000
Hong Kong	**1,201,650**	1,501,929
PRC	**79,786**	105,394
Taiwan (Note)	**31,310**	58,129
	1,312,746	1,665,452

Note: The revenue derived from Taiwan was contributed by the subsidiaries which had been disposed of during the year ended 31 December 2008.

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

	2008	2007
	HK$'000	HK$'000
Hong Kong	**1,733,537**	2,724,104
PRC	**175,609**	168,685
Taiwan	**-**	46,528
	1,909,146	2,939,317

Additions to property and equipment and expenditure on intangible assets

	2008	2007
	HK$'000	HK$'000
Hong Kong	**114,036**	32,441
PRC	**10,499**	11,444
Taiwan	**2,993**	12,492
	127,528	56,377

(4) Taxation charge

	2008 **HK$'000**	2007 HK$'000
The charge (credit) comprises:		
Current tax:		
– Hong Kong	**9,055**	29,047
– PRC	**845**	457
	9,900	29,504
Overprovision in prior years	**(202)**	(385)
	9,698	29,119
Deferred taxation (credit) charge	**(273)**	960
	9,425	30,079

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profits for the year.

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 PRC promulgated the Law of the PRC 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. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of certain Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for Group's subsidiaries in the PRC is 25% (2007: 33%) and will affect the PRC subsidiaries of the Company from 1 January 2008, except for MOLI China Information Technology Limited as disclosed below. The Directors of the Company consider that the effect on deferred tax balance is insignificant.

Pursuant to relevant laws and regulations in the PRC, MOLI China Information Technology Limited is entitled to an exemption from PRC Enterprise 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 Enterprise Income Tax has made for MOLI China Information Technology Limited for two year ended 31 December 2008 as fiscal year ended 31 December 2007 was its first profit making year and the entity will continue to enjoy such tax exemption under the New Law.

(5) (Loss) Earnings per share

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

	2008 **HK$'000**	2007 HK$'000
(Loss) Profit for the purpose of basic (loss) earnings per share	**(358,113)**	51,902
Effect of dilutive potential ordinary shares: Decrease in share of profits in CASH Financial Services Group Limited and loss on dilution	**-**	(1,379)
(Loss) Profit for the purpose of diluted (loss) earnings per share	**(358,113)**	50,523

	2008	2007 (restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**180,505,148**	152,231,669
Effect of dilutive potential ordinary shares assumed exercise of share options	**-**	5,029,505
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**180,505,148**	157,261,174

Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company held on 6 June 2008, every 5 issued shares of the issued share capital of the Company were consolidated to 1 share. Accordingly, the weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share have been adjusted for the years ended 31 December 2008 and 2007.

No diluted loss per share information is presented for the year ended 31 December 2008 as the exercise of potential ordinary shares would decrease loss per share.

(6) Accounts receivable

	2008 **HK$'000**	2007 HK$'000
Accounts receivable arising from the business of dealing in securities and equity options:		
Clearing houses, brokers and dealers	**72,199**	216,343
Cash clients	**36,425**	166,310
Margin clients	**97,185**	449,162
Accounts receivable arising from the business of dealing in futures and options:		
Clients	**65**	68
Clearing houses, brokers and dealers	**94,719**	93,032
Commission receivables from brokerage of mutual funds and insurance-linked investment plans and products	**2,349**	5,238
Accounts receivable arising from the business of provision of corporate finance services	**1,100**	1,442
Accounts receivable arising from the business of provision of online game services	**1,881**	6,995
Trade debtors arising from retailing business	**-**	408
	305,923	938,998

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

In respect of the commission receivables from brokerage of mutual funds and insurance-linked investment plans and products, accounts receivable 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:

	2008 **HK$'000**	2007 HK$'000
0-30 days	**3,382**	9,967
31-60 days	**499**	1,192
61-90 days	**523**	1,730
Over 90 days	**926**	1,194
	5,330	14,083

Loans to margin clients are secured by clients' pledged securities at fair values of HK$442,488,000 (2007: HK$1,827,557,000) which can be sold at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The Group is able to use client's pledged securities up to the amount of 140% of the loans to margin clients as collateral of the Group's borrowings (with client's consent). 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 share margin financing.

(7) Accounts payable

	2008 **HK$'000**	2007 HK$'000
Accounts payable arising from the business of dealing in securities and equity options:		
Cash clients	**400,345**	963,379
Margin clients	**120,928**	255,425
Accounts payable to clients arising from the business of dealing in futures and options	**167,545**	151,097
Accounts payable to clients arising from the business of dealing in leveraged foreign exchange contracts	**357**	9,620
Accounts payable arising from the online game services	**2,334**	6,368
Trade creditors arising from retailing business	**132,084**	125,775
	823,593	1,511,664

The settlement terms of accounts payable arising from the business of dealing in securities are two days after trade date. Except for the amounts payable 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.

Accounts payable 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 required margin deposits are repayable upon the closure of the corresponding futures and options and leveraged foreign contracts position. 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 accounts payable amounting to HK$542,079,000 (2007: HK$928,527,000) was payable to clients and other institutions 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.

Accounts payable arising from the online game services are payable for production of online game auxiliary products. The entire accounts payable 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:

	2008 HK$'000	2007 HK$'000
0-30 days	**54,166**	54,474
31-60 days	**34,877**	32,772
61-90 days	**17,537**	22,897
Over 90 days	**25,504**	15,632
	132,084	125,775

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2008 (2007: HK$0.04 per share).

REVIEW AND OUTLOOK

Financial Review

Financial Performance

For the year ended 31 December 2008, the Group recorded revenue of HK$1,312.7 million as compared to HK$1,665.5 million in the previous year. The decrease in revenue was mainly due to a drop in financial services income recorded by the Group's financial services division (CASH Financial Services Group ("CFSG")) for the current year.

The Group posted a net loss of HK$396.5 million for the current year as compared to a net profit of HK$139.6 million recorded in the previous year. The recorded loss was mainly due to (i) recognition of the investment loss of HK$239.7 million on financial assets when the financial crisis in the last quarter of 2008 damaged investor confidence, causing the share prices of most listed securities in the local stock market to reach their new lows since the aftermath of SARS outbreak in 2003; and (ii) the impairment loss of HK$84.7 million on goodwill which was recognised as delay in return to profitability of the Group's online business had been expected amid significant deterioration in economic conditions in the PRC and Taiwan during the year. The Group's financial services business and retail management business other than those which had been discontinued during the year still recorded operating profits for the year under review even though the poor investor confidence and consumer sentiment caused by the US subprime credit crisis and the economic downturn started to take their toll on the local stock market and retail business.

Financial Services – CFSG

CFSG recorded revenue from its financial services of HK$317.1 million for the year ended 31 December 2008 as compared to HK$671.4 million as recorded in the previous year. The significant decrease was attributable to the reduction in both the commission income generated from CFSG's brokerage business and interest income from its financing activities, which had in turn resulted from the weak investor sentiment and the lack of mega IPO activities in the midst of the worsening US sub-prime credit crisis since late last year, followed by the downturn in both the local and global economies in the current year. Despite the fact that 2008 had been a most difficult year for the financial services sector at home and overseas, CFSG's core financial services business still recorded an operating profit of HK$62.3 million for the whole year.

Retail Management – CASH Retail Management Group ("CRMG")

CRMG recorded a net loss for the year ended 31 December 2008 even though Pricerite recorded a profit of HK$34.9 million for the year under review. Thanks to the solid labour market conditions towards the end of 2008, the overall consumer spending had not been severely affected by the recent financial market turbulence and economic slowdown. Pricerite recorded a mild growth in revenue to HK$735.0 million for the current year (2007: HK$665.7 million) while still being able to maintain decent gross profit margins for the household products amid the rising merchandising costs brought about by the galloping inflation at home and abroad. The mild growth in the operating results had reflected Pricerite's consistent improvement in its services and products quality and operational effectiveness, including the continued overhaul brand rejuvenation for its retail network since late 2007. LZ LifeZtore, the Group's chain stores for retailing lifestyle household products in China, still recorded operating losses during the first half of 2008. In order to preserve its financial resources to get through the current difficult times, the Group had determined to downsize all of its retailing business in China in the second half of 2008 and would consider resuming the pursuit of the long-term expansion strategy of its retail business on the mainland when the worst-ever recession in recent decades starts to bottom out and the economy is on its course of recovery.

Online Game Business – Moli Group

For the year ended 31 December 2008, Moli Group recorded an operating loss of HK$107.0 million (excluding impairment loss recognised on goodwill). During the year, the loss was mainly attributable to the decrease in revenue and the provisions for the investments in Moli Taiwan, the business of which had been discontinued at the end of the year for the purpose of more focused allocation of resources in Moli's PRC operation.

During the year under review, Moli Group has suffered the setbacks from the negative impact of illegal private servers, which is a commonly known problem in the online gaming industry. The number of concurrent users, paying users, together with the revenue contributions by such users were severely impacted. In view of the suspension of online gaming activities during the national mourning period in Sichuan earthquake, Moli Group has decided to postpone the commercial operation of "Radiant Arcana", which is the major game in the Moli PRC operation during the year under review. As such, the scheduled investments in commercial advertising could not achieve the expected promotion performance.

Moli Group dedicates to launch strict measures with the aid of government regulatory units to combat the operations of illegal private servers to secure the stability of Moli Group's normal operations. Moli Group will continue to expand game offerings on various styles of storylines and designs to broaden income streams. In addition, Moli Group will seek for opportunities in forming strategic alliances with local and overseas game developers and operators to foster our growth in various aspects. We believe that Moli Group will substantially generate stable and scaleable income contributions to the Group for the years to come.

Liquidity and Financial Resources

The Group's total equity amounted to HK$628.7 million on 31 December 2008 as compared to HK$1,140.2 million at the end of the previous year. The net decrease in equity was attributed to the net loss reported for the year and the distribution of 2007 final dividend made during the year.

On 31 December 2008, our cash and bank balances were HK$971.3 million as compared to HK$1,348.2 million at the end of the previous year. The decrease in cash and bank balances was mainly due to the decrease in deposits by securities clients of CFSG whose confidence in the stock market had been weakened as the financial crisis was deepening in the last quarter of 2008. The liquidity ratio on 31 December 2008 remained healthy at 1.1 times as compared with 1.3 times on 31 December 2007.

Our total borrowings on 31 December 2008 were HK$511.3 million as compared with the total borrowings of HK$326.0 million on 31 December 2007. The substantial increase in borrowings was mainly due to the drawdown of a term loan of HK$100 million on 31 December 2008, the proceeds of which were intended to be used as additional working capital to strengthen the Group's financial position. The drawdown of several mortgage loans for the purchase of several properties in Shanghai also explained the increase in the borrowings during the year. As a result of the increase in the borrowings, the ratio for our interest bearing borrowings to total equity increased to 0.81 on 31 December 2008 from 0.29 on 31 December 2007.

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$101.7 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 2008, the Group's property at its market value of approximately HK$60.0 million was pledged to secure general banking facilities granted to us.

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

On 31 January 2008, the discloseable transaction of the Company for deemed disposal relating to issue of 60,000 new shares in Netfield Technology Limited ("Netfield"), a subsidiary of the Group, at a consideration of US$6 million (approximately HK$46,800,000) was completed.

On 18 September 2008, the Group entered into the license agreements with an independent third party for the grant of Moli exclusive licenses to operate two online games. The entering into of the license agreements constituted a discloseable transaction of the Company under the Listing Rules.

On 11 November 2008, the Group entered into a convertible note agreement and sale and purchase agreement with the controlling shareholder of the Company to acquire the entire equity shareholding interest and the shareholder's loan of an investment holding company which owns three properties in Hong Kong and the PRC. The consideration was fixed at HK$43,243,000 on the date of completion on 17 February 2009, and a convertible note in the principal amount of HK$43,243,000 was issued to the controlling shareholder as consideration for the acquisition on the same date.

On 17 November 2008, the Group entered into a sale and purchase agreement for acquisition of the remaining 3.4% equity shareholding interest in Netfield at a consideration of HK$38 million from an independent third party. The transaction was completed on 26 November 2008 and Netfield became a wholly-owned subsidiary of the Group since then.

On 19 December 2008, CASH Group Limited ("CGL") (a wholly-owned subsidiary of the Company) entered into a sale and purchase agreement with CFSG to dispose 60% of the equity interests in the CASH Retail Management (HK) Limited and its subsidiaries (collectively called "Retail Group"), being subsidiaries of CRMG, and the loan due from the Retail Group to CGL, at an aggregate consideration of approximately HK$184 million (subject to adjustment) and the Group would grant to CFSG a purchaser call option for acquisition of the remaining 40% of the equity interests in the Retail Group at the consideration of approximately HK$116 million (subject to adjustment) at any time from the date of the first completion date up to 31 December 2011. The total consideration of approximately HK$300 million (subject to adjustment) was based on the PE ratio of 10 times of the estimated net profits of the Retail Group for the year ended 31 December 2008. The final consideration could be adjusted upward or downward based on the audited net profits of the Retail Group for the year ended 31 December 2008. The PE ratio was determined by reference to prospective PE ratio for year 2008 of various companies listed in Hong Kong engaging in the retail business. This transaction is still subject to, inter alia, the approval by independent shareholders of the Company at a special general meeting to be convened.

As at 31 December 2008, CFSG has paid part of the consideration of HK$60 million to CGL as non-interest bearing deposit for the acquisition of 60% equity interests in the Retail Group. The remaining consideration for this 60% equity interest and the 40% interest upon CFSG exercising the purchaser call option as mentioned above will be settled by the convertible note which shall be issued by CFSG at principal value of approximately HK$240 million (subject to adjustment) with conversion price of HK$1.15 per conversion share. The conversion price has been adjusted to HK$1.482 per conversion share with retrospective effect from 19 March 2009 upon completion of the 2-for-1 rights issue of CFSG on 17 April 2009.

Subsequent to the balance sheet date in March 2009, the Group entered into an agreement with an independent third party to dispose of the unlisted share investment of the Group at the consideration of HK$13,980,000 to be settled in cash. Completion took place on the same date of the agreement of 24 March 2009.

In April 2009, the Group entered into a preliminary agreement with an independent third party to dispose a residential property in Hong Kong at the consideration of HK$51,000,000 to be settled in cash. Completion shall take place on or before 15 July 2009 in accordance with the preliminary agreement.

Save as aforesaid, the Group did not make any material acquisitions or disposals during the year ended 31 December 2008.

Capital Commitments

The Group did not have any material capital commitment at the end of the year.

Material Investments

As at 31 December 2008, the Group was holding a portfolio of listed and unlisted investments with a total value of approximately HK$79.2 million and a loss on such investments of HK$239.7 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

The unprecedented crisis afflicting the international financial system resulted in a sharp slowdown in global growth in the latter half of the year. Hong Kong, a small, open economy, has been hit hard. With key operations in two of Hong Kong's pillar industries, financial services and retail management, and other strategic investments such as online entertainment, the Group saw a drop in revenue and recorded a loss.

The rapidly deteriorating external environment in the fourth quarter of 2008 dealt a severe blow to Hong Kong's export industry and other sectors, dampening Hong Kong's economic outlook. Unemployment rose to 3.8% in the final three months of 2008 and climbed to 5.0% in December 2008-February 2009. It is expected to rise further, to highs not seen since SARS in 2003, putting pressure on investment and consumer sentiment.

The impact of the worsening economic situation on consumer sentiment was visible in the fourth quarter of 2008, with a quarter-to-quarter 3.6% drop in the volume of total retail sales. The Hang Seng Index closed the year at 14,387, down 48.3% from the previous year. Market capitalisation evaporated by 50% to HK$10 trillion.

Business Review and Outlook

Despite repercussions from the global financial crisis, a sound financial position, positive growth momentum, prudent management, and strong human capital contributed to the positive operating profits of the Group's financial services and retail management businesses during the year.

Financial Services – CFSG

Securities Broking

With the fall in market turnover and the lack of mega IPO activities, both commission income and interest income of CFSG decreased. However, as a leading technology-focused financial services house, CFSG continued to introduce cutting-edge technologies to improve client experience and its operating efficiency. During the year, CFSG introduced the world's first *3D AI Broker*, a real-time, humanoid system that substantially enhances online communications. As we successfully moved from traditional branch network to investment in advanced technology platform, our rental costs have been substantially saved for client's larger benefit.

Wealth Management and Asset Management

The financial meltdown following the Lehman Brothers collapse in the fourth quarter of 2008 had far-reaching effects on both the world's wealth management and asset management markets. For CFSG, it experienced a fall in average order size on its wealth management business, and a reduction in asset under management due to global market sell-offs and fund withdrawals. On the other hand, investors are increasingly interested in protection-based investment, while the number of clients increased for its asset management business, reflecting the underlying need for professional investment service in times of rising volatility. CFSG will continue to grow its client base and assets under management.

Investment Banking

CFSG has been focusing on financial advisory and special transactions since 2007, a strategy proved to be effective especially during slowing mega IPO activities in 2008. On the other hand, CFSG will continue to seek financial advisory and IPO sponsorship opportunities, so as to increase the size of its pipeline for the prospective economic recovery.

China Development

CFSG well positioned itself for business growth in China in 2008. In addition to setting up the Shanghai office, CFSG strategically opened several branch offices in the northern (Beijing), south-western (Chongqing) and southern (Shenzhen) parts of China. China remains as the world economic powerhouse and maintains her resilient growth in the coming years. Our diversified capabilities and our China presence should place us amongst the first to benefit from the regional economic recovery.

Overall, we will continue to diversify CFSG's revenue mix through strengthening existing businesses, enriching product offering, and sourcing new income streams in concert with our business development in China. Our goal is to position CFSG as a respectable financial services house of choice for clients.

Retail Management – CRMG

The retail market remained buoyant in the first half of 2008. However, deterioration in the economic environment depressed the market in the fourth quarter. Local consumer spending remains subdued amid rising unemployment, with the furniture market experiencing setbacks alongside corrections in the property market.

Pricerite

Despite the adverse external environment, Pricerite made remarkable progress in 2008, with retail sales and profits both recording satisfactory growth. The company benefited from the strong local economy and high consumer spending in the first three quarters of 2008. As the financial tsunami gained strength, Pricerite took a series of precautionary measures in the fourth quarter to prepare for an economic downturn.

During the year, Pricerite continued with its rejuvenation programme to enhance our brand image and to offer a total and more enjoyable shopping experience to customers. Revamps took place in several areas, including product assortment, customer services, logistics, product displays and visual merchandising. Preliminary results proved positive, with improved store efficiency and transactions. We also successfully expanded our customer base to younger households.

Customer spending sentiment plunged in November and December, especially in relation to durable and high-ticket items. Knowing that the local retail industry would be affected by the global financial crisis, Pricerite took a proactive approach in rationalising costs and refining retail strategies. This included consolidating our retail network by closing down or replacing underperforming stores; improving operating efficiencies by further reducing fixed overheads, such as head office rental; enhancement of our product mix to better serve our customers' needs in basic and commodity items; and closer cooperation with vendors on discount promotions.

Since August 2007, Pricerite has offered a membership programme. We currently have about 160,000 members. More in-depth customer profiles can help us to provide better service and product offerings to cater for customer needs, especially in turbulent times.

The company continued to put tremendous effort into employee development in 2008. In the second quarter of 2008, we established the Pricerite Professional Training Institute (PPTI) to offer systematic in-house training and continuous development to frontline associates to professionalise retail operations and management.

Pricerite has also continued our commitment to corporate social responsibility. Following our successful community project "Building ● Power" in 2007, which received an Outstanding Partnership Project Award 2006/2007 from the Hong Kong Council of Social Service, the company launched a new programme, "Play @ Home", in 2008, together with Hong Kong Christian Service. This seeks to enhance parent-child communication through the therapeutic power of play, helping children to achieve healthy development, which in turn adds to social harmony.

In the fourth quarter of 2008, Pricerite won the 2008 Hong Kong Premier Service Brand and the 2008 Most Popular Brand On-line in the Hong Kong Top Service Brand Awards, organised by the Hong Kong Brand Development Council. Pricerite was the only retailer to win the awards in 2008. These awards, together with other service accolades, acknowledge our ongoing efforts to offer service beyond customers' expectations.

Looking ahead, Pricerite is well positioned to weather the financial turmoil as customers in this type of economic climate tend to be more cautious about spending, looking for value-for-money products and services in a quality-shopping environment. These are Pricerite's key strengths over competitors.

LZ LifeZtore

The board of directors reviewed the economic situation and business performance of lifestyle brand LZ LifeZtore in the first half of 2008. It concluded that the economic fallout caused by the US subprime loans crisis would cause lifestyle retailers to struggle for patronage, exhausting financial capital given that the company was still at the investment stage. To preserve the financial strength of the Group during the economic slowdown, the Group downsized LZ LifeZtore operations in the second half of 2008. With the central government increasing its efforts to transform the mainland economy into a domestic demand-driven one, the Group will consider resuming our long-term expansion strategy against a backdrop of solid, sustainable economic development in Mainland China.

Entertainment Portal – Moli Group

In the year under review, Moli postponed the original plan to launch "Radiant Arcana" commercially in May 2008 in light of the Sichuan earthquake. Game revenue declined due also to the adverse impact of pirate servers.

We continued to build up a comprehensive game publishing platform. Our self-developed Massively Multiplayer Online Role-Playing Game (MMORPG), "King of Pirate", has already been successfully launched in Taiwan, Hong Kong, Singapore, Malaysia, Thailand, North America and Russia, earning acclaim in different online gaming markets. Indonesian and Japanese versions are scheduled to launch in 2009 to add to our penetration of overseas markets.

Moli's proven track record overseas helped the company to gain the 2008 Overseas Development Award for Domestic Games at the 2008 China Game Industry Annual Conference. Moli also received the 2008 China Game Industry Caring Company Award in recognition of our outstanding approach to corporate social responsibility.

During the year under review, Moli entered into a strategic alliance with Gonzo Rosso KK, a leading online game and mobile site provider in Japan. Under the alliance, Gonzo Rosso KK granted Moli an exclusive global publishing license (excluding Japan) for the MMORPG entitled "The Tower of DRUAGA – the Recovery of BABYLIM", and an exclusive license for publishing rights in the North American region for the MMORPG entitled "Pandora Saga". Moli granted an exclusive publishing license to Gonzo Rosso KK for "King of Pirate" in Japan. Both parties also entered into a co-development agreement to develop a 3D MMORPG involving historical characters and themes. Such alliances further prove that Moli's game development capabilities and experience in overseas markets are recognised by globally renowned partners.

With respect to 2009, we will strive to expand our product pipeline, provide quality customer services, leverage our technological capabilities and actively broaden our promotion and channel sales network. We will continue to work closely with law enforcement departments to combat pirate servers and will adopt strong defensive measures to mitigate internet security risks.

Moli will continue to explore collaboration opportunities with local and overseas game developers and operators. With our strong foundation and existing links with leading online game partners in different countries, we will promote and publish our self-developed games in more countries and regions to expand our overseas customer base.

We plan to further enhance our game development capabilities by recruiting high-calibre game developers and designers. We will also dedicate resources to improving and updating our existing games. In accordance with our strategic focus on game development and overseas publishing, we will seek opportunities to commence development of quality game titles to add to our services and pipeline for local and overseas gamers.

Prospects

Looking forward, it is anticipated that the financial turmoil will persist for a considerable period of time, rendering the most difficult operating environment in the recent decade. Global economic uncertainties have subdued demand worldwide while the unprecedented joint policy responses of various US-Euro governments have yet to take effect. However, China is expected to be among the first to recover, assisted by the huge capital spending programme launched by the central government and its commitment to maintain GDP growth of about 8% p.a. With the support of the central government, and closer economic ties with the Mainland, Hong Kong is expected to benefit from the recovery.

In 2009, the Group will focus on maintaining and leveraging our operational excellence, healthy financial position, disciplined management and innovation to ride out market adversity. The board of directors is cautiously optimistic about the long-term outlook of Hong Kong and hence the performance of the Group.

EMPLOYEE INFORMATION

At 31 December 2008, the Group had 1,443 employees, of which 258 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$240.4 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, team building, communication, presentation, coaching, quality management 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, quality management measures, rules and regulations. 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 the 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 and independent non-executive Director in respect of the due compliance of the rules and principles relevant to the Model Code. The Company had duly complied with the Principles throughout the period covering the financial period ended 31 December 2008 and up to the date of this announcement. The Board is not aware of any deviations from the Principles during the year.

REVIEW OF RESULTS

The Group's audited consolidated results for the year ended 31 December 2008 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 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company 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 2008 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, 17 April 2009

As at the date hereof, the Board comprises:-

Executive directors:

Mr Kwan Pak Hoo Bankee
Mr Lin Che Chu George
Mr Law Ping Wah Bernard

Independent non-executive directors:

Mr Leung Ka Kui Johnny
Mr Wong Chuk Yan
Dr Chan Hak Sin