



首華金融控股有限公司

FIRST CHINA FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08123

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Interim Report
2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed issuers are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

Pursuant to Chapter 36 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”), the Securities and Futures Commission (the “SFC”) regulates First China Financial Holdings Limited. (the “Company”) in relation to the listing of its shares on GEM of the Stock Exchange. The SFC and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of the Company (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



■ Highlights

The Group recorded a revenue of approximately HK\$65,007,000 for the six months ended 30th June, 2008.

Profit attributable to the equity holders of the Company for the six months ended 30th June, 2008 amounted to approximately HK\$17,983,000.

Profit per share was approximately 0.71 Hong Kong cent.

The Directors do not recommend the payment of a dividend for the six months ended 30th June, 2008.

Interim Results (Unaudited)

The board of Directors of the Company (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June, 2008 together with the comparative unaudited figures for the corresponding periods in 2007.

Condensed Consolidated Income Statement

	Note	Three months ended 30th June,		Six months ended 30th June,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	31,706	5,355	65,007	12,046
Cost of sales and services		(13,431)	-	(20,362)	(203)
Other income	5	596	369	1,132	575
Employee benefits expenses		(3,043)	(3,020)	(6,146)	(7,595)
Depreciation of property, plant and equipment		(595)	(239)	(1,110)	(582)
Amortization of intangible assets		(158)	(167)	(181)	(333)
Loss on disposal of property, plant and equipment		-	(427)	-	(427)
Other operating expenses		(7,043)	(5,905)	(14,819)	(12,275)
Profit/(loss) before income tax		8,032	(4,034)	23,521	(8,794)
Income tax expense	6	(1,275)	-	(5,538)	-
Profit/(loss) for the period		6,757	(4,034)	17,983	(8,794)
Attributable to:					
Equity holders of the Company		6,757	(4,028)	17,983	(8,788)
Minority interests		-	(6)	-	(6)
		6,757	(4,034)	17,983	(8,794)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company					
- basic	7	0.26 cent	(0.18) cent	0.71 cent	(0.40) cent
- diluted	7	0.26 cent	(0.18) cent	0.69 cent	(0.40) cent

Condensed Consolidated Balance Sheet

	<i>Note</i>	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		5,711	4,572
Intangible assets		495,156	491,699
Statutory deposits		2,030	2,030
Investments in associates		137	137
Available-for-sale financial assets		1,163	1,252
		<u>504,197</u>	<u>499,690</u>
Current assets			
Trade receivables	8	41,365	37,293
Other receivables	11	43,361	27,619
Amount due from an associate		-	549
Bank balances and cash		90,370	108,684
		<u>175,096</u>	<u>174,145</u>
Total assets		<u>679,293</u>	<u>673,835</u>
Current liabilities			
Trade payables	9	14,207	16,779
Other payables	11	13,742	25,626
Amount due to an associate		-	73
Current income tax liabilities		2,708	4,930
		<u>30,657</u>	<u>47,408</u>
Net current assets		<u>144,439</u>	<u>126,737</u>
Net assets		<u>648,636</u>	<u>626,427</u>



	<i>Note</i>	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
Capital and reserves			
Share capital	10	25,654	25,384
Share premium	10	192,566	187,589
Special reserve		4,779	4,779
Available-for-sale investments revaluation reserve		748	871
Translation reserve		2,155	932
Shares to be issued		504,000	504,000
Share options reserve		14,461	14,461
Share-based compensation reserve		2,120	4,241
Accumulated losses		(97,933)	(115,916)
Equity attributable to the Company's equity holders		648,550	626,341
Minority interests		86	86
Total equity		648,636	626,427

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30th June, 2008

Attributable to the equity holders of the Company

	Share Capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Available- for-sale investments revaluation reserve HK\$'000	Translation reserve HK\$'000	Accu- mulated losses HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance at 1st January, 2007 (as restated)	20,500	99,621	4,779	621	171	(91,261)	34,431	-	34,431
Change in fair value of available-for-sale financial assets	-	-	-	(9)	-	-	(9)	-	(9)
Currency translation differences	-	-	-	-	4	-	4	-	4
Total income and expense recognized directly in equity	-	-	-	(9)	4	-	(5)	-	(5)
Loss for the period	-	-	-	-	-	(8,788)	(8,788)	(6)	(8,794)
Total recognized income and expense for the period	-	-	-	(9)	4	(8,788)	(8,793)	(6)	(8,799)
Issue of shares by way of placements	3,500	26,600	-	-	-	-	30,100	-	30,100
Share issue costs	-	(678)	-	-	-	-	(678)	-	(678)
Arising from acquisition of subsidiary	-	-	-	-	-	-	-	6	6
Balance at 30th June, 2007 (as restated)	24,000	125,543	4,779	612	175	(100,049)	55,060	-	55,060

Attributable to the equity holders of the Company

	Share capital	Share premium	Special reserve	Available-for-sale investments revaluation reserve	Translation reserve	Shares to be issued	Share options reserve	Share-based compensation reserve	Accumulated profit/(losses)	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1st January, 2008	25,384	187,589	4,779	871	932	504,000	14,461	4,241	(115,916)	626,341	86	626,427
Change in fair value of available-for-sale financial assets	-	-	-	(123)	-	-	-	-	-	(123)	-	(123)
Currency translation differences	-	-	-	-	1,223	-	-	-	-	1,223	-	1,223
Total income and expense recognized directly in equity	-	-	-	(123)	1,223	-	-	-	-	1,100	-	1,100
Profit for the period	-	-	-	-	-	-	-	-	17,983	17,983	-	17,983
Total recognized income and expense for the period	-	-	-	(123)	1,223	-	-	-	17,983	19,083	-	19,083
Issue of shares upon exercise of option granted under a subscription agreement	150	240	-	-	-	-	-	-	-	390	-	390
Issue of shares under the share option scheme	120	2,616	-	-	-	-	-	-	-	2,736	-	2,736
Transfer upon exercise of employee share option	-	2,121	-	-	-	-	-	(2,121)	-	-	-	-
Balance at 30th June, 2008	25,654	192,566	4,779	748	2,155	504,000	14,461	2,120	(97,933)	648,550	86	648,636

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended	
	30th June, 2008 HK\$'000 (unaudited)	30th June, 2007 HK\$'000 (unaudited)
Net cash generated from/(used in) operating activities	(18,149)	(7,687)
Net cash generated from/(used in) investing activities	(8,468)	(364)
Net cash generated from financing activities	8,676	29,423
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	(17,941)	21,372
Cash and cash equivalents at beginning of period	96,808	12,223
	<hr/>	<hr/>
Cash and cash equivalents at end of period	78,867	33,595
	<hr/>	<hr/>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	90,370	39,970
Less: Segregated trust bank balances	(11,503)	(6,375)
	<hr/>	<hr/>
	78,867	33,595
	<hr/>	<hr/>



Notes:

1. General Information

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of financial services including the provision of a trading platform, brokerage and securities margin financing, wealth management, infrastructure broking services comprising trading, clearing and settlement, corporate finance services, provision of stock information and research as well as trading and principal investment.

Pursuant to a special resolution passed at an extraordinary general meeting ("EGM") on 13th June 2008, the Company changed its name from "International Financial Network Holdings Ltd. 國際金融社控股有限公司" to "First China Financial Holdings Limited 首華金融控股有限公司".

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's shares are listed on the Growth Enterprises Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated financial statements are presented in Hong Kong dollar (HK\$) unless otherwise stated. These unaudited condensed consolidated financial statements were approved and authorized for issue by the Board on 13th August, 2008.

2. Basis of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. In addition, the unaudited condensed consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31st December, 2007. The Group has adopted new/revised standards and interpretations of HKFRS which are effective for accounting periods commencing on or after 1st January, 2008. The adoption of these standards does not have significant impact on the accounting policies of the Group.

3. Revenue

	Three months ended 30th June,		Six months ended 30th June,	
	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)	2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Income from provision of trading platform	38	42	75	81
Commission income from securities and futures brokerage, and infrastructure broking service fee	768	1,817	1,839	4,049
Interest income from clients	138	68	234	178
Income from provision of corporate finance services	-	126	-	335
Trading and principal investment	13,362	-	20,274	207
Income from provision of wealth management services	3,605	3,302	8,309	7,196
Income from provision of stock information and research	13,795	-	34,276	-
	31,706	5,355	65,007	12,046

4. Segment Information

(a) *Primary reporting format – business segments*

As at 30th June, 2008, the Group is organized into 6 business segments:

- (i) Provision of a trading platform;
- (ii) Provision of brokerage and securities margin financing, and infrastructure broking services;
- (iii) Provision of corporate finance services;
- (iv) Trading and principal investment;
- (v) Provision of wealth management services; and
- (vi) Provision of stock information and research

The segment results for the six months ended 30th June, 2008 are as follows:

	Brokerage and securities margin financing, and		Trading and principal investment	Wealth management services	Stock information and research	Total	
	Provision of a trading platform	infrastructure broking services	Corporate finance services	principal investment	management services	information and research	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Segment revenue	75	2,073	-	20,274	8,309	34,276	65,007
Segment results	6	(2,735)	(762)	(20)	955	30,717	28,161
Net unallocated expenses							(4,640)
Profit before income tax							23,521
Income tax expense							(5,538)
Profit for the period							17,983

The segment results for the six months ended 30th June, 2007 are as follows:

	Brokerage and securities margin financing, and		Trading and principal investment	Wealth management services	Total	
	Provision of a trading platform	infrastructure broking services	Corporate finance services	principal investment	management services	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Segment revenue	81	4,227	335	207	7,196	12,046
Segment results	8	(658)	(2,465)	4	(1,469)	(4,580)
Net unallocated expenses						(4,214)
Loss before income tax						(8,794)
Income tax expense						-
Loss for the period						(8,794)

(b) *Secondary reporting format – geographical segments*

The Group mainly operates in Hong Kong, the PRC and Singapore.

	For the six months ended	
	30th June, 2008	30th June, 2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
Hong Kong	30,731	11,921
The PRC	34,276	–
Singapore	–	125
	65,007	12,046

Revenue is allocated based on the country in which the customer is located.

5. Other Income

	Three months ended		Six months ended	
	30th June,		30th June,	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
CCASS fee income	14	76	38	160
Handling fee income	42	17	76	30
Interest income on bank deposits	187	156	576	165
Other interest income	–	11	–	23
Sundry income	353	109	442	197
	596	369	1,132	575

6. Income Tax Expense

Hong Kong Profits Tax is calculated at the rate of 17.5% (2007: 17.5%) on the estimated assessable profit arising in or derived from Hong Kong for the period. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred a tax loss for the period (2007: Nil). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

7. Earnings/(loss) Per Share

Basic

Basic earnings/(loss) per share is calculated by dividing the profit attributable to equity holders of the Company for the period ended 30th June, 2008 of approximately HK\$17,983,000 (2007 : loss of approximately HK\$8,788,000) by the weighted average number of 2,550,005,429 (2007 : 2,175,724,608) ordinary shares in issue during the period.

Diluted

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Company for the period ended 30th June, 2008 of approximately HK\$17,983,000 (2007 : loss of approximately HK\$8,788,000) by the weighted average number of 2,602,434,000 (2007 : 2,245,724,608) ordinary shares in issue during the period.

The computation of diluted loss per share did not assume the exercise of the Company's share options outstanding during the period ended 30th June, 2007 since the exercise would result in a decrease in loss per share.

8. Trade Receivables

	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
Amounts receivable arising from securities broking:		
Margin clients	631	2,208
Cash clients	6,232	790
HKSCC (net)	-	977
Amounts receivable arising from futures broking:		
HKFECC	261	223
Other trade receivables	34,241	35,288
	41,365	39,486
Less: Provision for impairment of receivables	-	(2,193)
Trade receivable, net	41,365	37,293

Amounts receivable from margin clients are repayable on demand, bear interest at prevailing market rates and are secured by clients' pledged securities that are listed on the Stock Exchange with a total market value of approximately HK\$3,020,000 as at 30th June, 2008 (31st December, 2007: approximately HK\$16,117,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of amounts receivable arising from securities broking are one or two days after the trading execution date, and those of amounts receivable arising from futures broking are one trade day after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days.

Other trade receivables arising from the provision of corporate finance services and wealth management services are due immediately from date of billing but the Group will generally grant a credit period of 30 days on average to its customers. Trade receivables arising from the provision of stock information and research are with credit term of 5 to 10 days. Included in the other trade receivables of the Group as at 30th June, 2008 were trade receivable from a related company of approximately HK\$26,030,000 (31st December, 2007 : approximately HK\$16,050,000) which is controlled by a director of the Company.

The following is an aged analysis of other trade receivables at the balance sheet dates:

	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
0 – 30 days	6,768	12,633
31 – 90 days	4,514	15,861
91 – 180 days	10,842	4,494
181 – 365 days	11,955	107
Over 365 days	162	2,193
	34,241	35,288

The maximum exposure to credit risk at the reporting date is the fair value of the trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

9. Trade Payables

	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
Amounts payable arising from securities broking:		
Margin clients	8,591	1,024
Cash clients	2,841	10,244
HKSCC (net)	36	–
Amounts payable arising from futures broking:		
Clients	638	807
Other trade payables	2,101	4,704
	14,207	16,779

Amounts payable to margin clients are repayable on demand and bear interest at prevailing market rates. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The settlement terms of amounts payable arising from the securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

Amounts payable to clients arising from futures broking are margin deposits received from clients for their trading of futures contracts. The excess 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 the directors, the aged analysis does not give additional value in view of the nature of business of future broking.

The following is an aged analysis of other trade payables at the balance sheet dates:

	At 30th June, 2008 HK\$'000 (unaudited)	At 31st December, 2007 HK\$'000 (audited)
0 – 30 days	706	2,001
31 – 90 days	216	688
91 – 180 days	352	2,014
181 – 365 days	827	1
	2,101	4,704

10. Share Capital and Premium

	Number of issued shares (in thousands)	Ordinary shares HK\$	Share premium HK\$	Total HK\$
As at 1st January, 2008	2,538,434	25,384,340	187,589,377	212,973,717
Issue of shares through:				
Exercise of options granted under a subscription agreement	15,000	150,000	240,000	390,000
Exercise of employee share options	12,000	120,000	2,616,000	2,736,000
Transfer upon exercise of employee share options	–	–	2,120,460	2,120,460
As at 30th June, 2008	2,565,434	25,654,340	192,565,837	218,220,177

The total authorized number of ordinary shares is 10,000,000,000 shares (2007: 10,000,000,000 shares) with a par value of HK\$0.01 per share (2007: HK\$0.01 per share). All issued shares are fully paid.

The ordinary shares issued during the period had the same rights as the other shares then in issue.

11. Related party transactions

In addition to the transactions and balances disclosed elsewhere in the unaudited condensed consolidated financial statement, the Group had the following related party transactions during the period.

	Six months ended 30th June, 2008 HK\$'000 (unaudited)	Six months ended 30th June, 2007 HK\$'000 (unaudited)
Brokerage commission income earned from:		
directors	137	415
relative companies	42	–
Income from provision of stock information and research receivable from a related company which is controlled by a director of the Company	14,208	–
	14,387	415

Included in other receivables of the Group as at 30th June, 2008 were amounts due from related companies of approximately HK\$36,365,000 (31st December 2007: approximately HK\$24,302,000) which are controlled by a director of the Company. The amounts due from these related companies are unsecured, interest-free, denominated in RMB and repayable on demand.

Included in other payables of the Group as at 30th June, 2008 were dividends payable to former shareholders of a subsidiary of approximately HK\$9,014,000 (31st December 2007: approximately HK\$19,390,000) prior to acquisition by the Group.

12. Dividend

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30th June, 2008 (for the six months ended 30th June, 2007 : Nil).



Management Discussion and Analysis

Business Review and Outlook

The Company started a new page in its history with its name officially changed to First China Financial Holdings Limited in June 2008 following the issue of the Certificate of Incorporation on Change of Name by the Registrar of Companies in Cayman Islands. With more than 53% of its business generated from its subsidiaries in China for the first half year of 2008, the new name has reflected better its growing business outlook in the Greater China markets. The Group reported a profit of about HK\$18 million in the first half year of 2008, which is a sharp turn from the loss of about HK\$8.8 million for the same period of the previous year. Highlights of the business review for the first half year and the new business outlook are as follows:

i. Development of Hong Kong, Macau and Taiwan markets

While successfully access to Mainland China market through the acquisition of 首華證券諮詢(深圳)有限公司 First China Securities Consultancy (Shenzhen) Co., Ltd. ("FC Shenzhen") in 2007, the Group has established itself as a first comprehensive financial service providers in Greater China with a primary comprehensive financial service platform consisting of mass media platform operation, financial product promotion and education, development of trading products, news release, etc.

The Group has been smoothly carrying out the promotion and investors' education of its financial businesses of securities, gold, futures, financing, etc. in Hong Kong. With the aim of becoming a "Bloomberg-style" comprehensive financial service supplier in Greater China, the Group has started discussing with first class world financial service suppliers for co-operation. Currently, the Company has been actively negotiating with Van Der Moolen, a Dutch listed securities firm, to form a strategic partnership. By introducing such partnership into the Group, it is devoting every effort to construct an international first class integrated service platform consisting of financial information, financing, trading, financial management and planning, etc. in Hong Kong, Macau and Taiwan. In the opinion of the Company's management, a good integrated financial platform shall be helpful to improve the overall services of the financial service sector in Hong Kong, Macau, Taiwan and Mainland China, and through such platform, the Group can offer quicker and more localized international standard services to its clients in Greater China. As a result, the number of the Group's clients in Hong Kong, Macau, Taiwan and Mainland China shall experience a swift growth.



ii. Development of Mainland China market

The Group has applied to The Stock Exchange of Hong Kong Limited for a licence of Hong Kong real-time stock price and trading information and shall develop Hong Kong stock market information services in Mainland China. In addition, the Group has been discussing with 深圳証券信息有限公司 Shenzhen Securities Information Co., Ltd. for a joint development of domestic securities information product market. With the authorisation for market and financial information release granted by these two companies, the Group can integrate the media channels of satellite TV, digital TV and network video, etc. In the second half year of 2008, the Group shall complete the “Bloomberg-style” financial information service platform which can generate a great mass of potential customers and make use of the platform as the front end of the overall domestic businesses. At present, the platform has network video channels with 3 million IP visitors daily. The Group has also developed a program called “Cross-Straits Three Places Real Time Stock News” jointly with Lotus TV of Macau which has a coverage of 15 million viewers all over Southeast Asia, Hong Kong, Macao and Mainland China and occupies air time of 6 hours a day. This program has a large group of faithful audience and has created a group of potential clients for the Group. The Group is now in the process of positive discussion on full cooperation with digital and satellite TV stations in Mainland China. It is predicted that a substantial progress will be achieved in the second half of this year.

iii. Stock Information Services

FC Shenzhen has been offering financial services including provision of real-time information, financial management plan, etc. since 2004, and has already established a positive market identity and influential brand in Mainland China. It had about 70,000 subscribers of its information services at the end of the first half year and was estimated to have over 17 million potential users in the future. In addition, FC Shenzhen has a telephone calling centre manned by a sales team of 300 persons. In view of the trend of service homogenization and intensified competition among the domestic securities brokers, FC Shenzhen, with the mission of providing the best services to its clients (which are the domestic securities firms), has been cooperating with them in a more in depth level to supply integrated financial information service solutions to the customers of these securities firms. As a result, FC Shenzhen not only has earned profit and accumulated potential clients for itself, but also has effectively improved the comprehensive services provided by these securities firms and assisted them in establishing their own brand names.

iv. Launch of Stock e-Expert

In early June 2008, the Group launched to the Mainland China market a new investor software package with expert intelligence analysis and data information system called “Stock e-Expert”. This new software package was newly developed in the first half year of 2008. The new software package has been well received by the investors. Within one month after its launch, the total sales of “Stock e-Expert” packages were over 1,100 sets generating an income of about RMB2.4 million. An upgraded version of Stock e-Expert will soon be launched which shall cover real time Hong Kong stock market information and up-to-date international information. This software, as an integrated carrier providing services such as series of company information, market information, video information etc., will be directly supplied to the Group’s clients so as become an important communication channel and bond between the Group and its clients.



v. *Acquisition of an Insurance Broker Company*

To support building up the Group's integral financial service platform as mentioned above, in May 2008 the Group completed the acquisition of 深圳市安和信保險經紀有限公司 Shenzhen An He Xin Insurance Broker Company Limited ("An He Xin") which holds an insurance broker licence issued by The China Insurance Regulatory Commission (the "Acquisition"). The consideration for the Acquisition is RMB5 million. The Acquisition has further improved the Group's integral financial service platform product chain and introduced the ripe marketing team of Hong Kong to Mainland China. As a result of the effective integration of the Group's resources, investors' resources, international standard project design and the supporting services, this business segment has started to achieve a breakthrough progress.

Financial Review

For the six months ended 30th June, 2008, the Group's turnover was approximately HK\$65.0 million, representing an increase of approximately 540% compared to the corresponding period in 2007. The newly acquired company in late 2007, FC Shenzhen, with a turnover of approximately HK\$34.2 million for the first half year under review, contributed about 52% of the total turnover of the Group and produced a positive impact to the overall Group's results.

The Group's provision of wealth management business recorded turnover of approximately HK\$8.3 million, about 15.28% increase as compared to that of about HK\$7.2 million of the same period last year.

For the six months ended 30th June, 2008, with the contribution from FC Shenzhen, the net profit of the Group was approximately HK\$18.0 million compared to the loss of approximately HK\$8.8 million of the corresponding period of 2007. The basic earnings per share for the reporting period was 0.71 HK cent while the basic loss per share was 0.40 HK cent for the same period last year.

The Group is in healthy liquidity and financial position. As at 30th June, 2008, the Group's net current assets, cash and bank balances were approximately HK\$144.4 million and HK\$90.4 million respectively. Current ratio, expressed as current assets over current liabilities, was maintained at a satisfactory level of 5.71 (31st December 2007 : 3.67). As at 30th June, 2008, shareholders' fund of the Group amounted to approximately HK\$648.60 million, representing an increase of approximately 3.5% as compared to approximately HK\$626.4 million as at 31st December, 2007.

The capital of the Company comprises only ordinary shares. Following the exercises of a total of 27,000,000 stock options in the second quarter of 2008, the total number of the ordinary shares of the Company has been increased to 2,565,434,000 shares as at 30th June, 2008 (31st December, 2007 : 2,538,434,000 shares). The Group did not have any borrowing, long-term debts and charges on its assets at the end of June 2008.

Contingent Liabilities

As at 30th June, 2008, the Group did not have any significant contingent liabilities.



Information on Employees

As at 30th June, 2008, the Group had a workforce of 56 employees. The total staff costs, including directors' emoluments, amounted to HK\$6,146,000 for the half year under review. The Group's remuneration policies are determined by reference to market terms as well as the performance, qualification and experience of individual employee. The remuneration package includes basic salary, mandatory provident fund, medical benefits, group insurance and discretionary bonus.

Other Investment

As per the circular of the Company dated 22nd October, 2007 in respect of the major transaction involving the proposed acquisition of the entire shareholding of Gohi Holdings Limited, FC Shenzhen had an intention to acquire 100% shareholding of 深圳画天影視傳播有限公司 Shenzhen Sky Picture Communications Company Ltd. ("Sky Picture"). Sky Picture is the holding company of 深圳富盟網絡技術有限公司 Shenzhen Wealth Alliance Networking Co., Ltd. ("Wealth Alliance") which owns and operates the website of "Stock Online". A lawyer was engaged to review the feasibility of the aforesaid acquisition under the laws and regulations of the People's Republic of China ("PRC Laws").

According to the legal opinion of the lawyer issued in April 2008, FC Shenzhen, a wholly-owned foreign owned enterprise ("WFOE"), cannot hold more than 50% interest of Wealth Alliance as Wealth Alliance is operating the value-added telecommunication business which is restricted to be invested by WFOE under the current PRC Laws. As such, FC Shenzhen cannot proceed with the aforesaid acquisition. The Group will continue to explore other alternatives to have Wealth Alliance included as part of the Group. In the meantime, FC Shenzhen would continue to rely on the cooperation agreement dated 1st July, 2007 with Wealth Alliance for the operation of "Stock Online" and the sale of investor software packages such as "Stock Expert" and "Stock e-Expert".

Prospects

The year 2008 shall be the first year for the Group to achieve overall success in various businesses and also the year for the Group's financial service platform to begin to take shape. In the first half year, the Company has been carrying out various businesses smoothly and achieved breakthrough progress in many aspects. With its comprehensive financial services (i.e. an integrated front end trans-media information release, internationalized financial products promotion and education as well as interactive services platform) developing and improving to a more advanced and matured stage in the second half year, the Group, as a financial service provider in the Greater China region, will provide much better services to investors and will bring better returns to all shareholders of the Company.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30th June, 2008, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Long positions in shares of the Company

Name of Director	Number of shares			Approximate percentage of shareholding
	Personal Interests	Corporate Interests	Total	
Richard Yingneng Yin	56,000,000	324,006,000 <i>(Note 1)</i>	380,006,000	14.81%
Wang Wenming	325,958,000 <i>(Note 2)</i>	–	325,958,000	12.71%
Kennedy Wong Ying Ho	4,000,000	145,000,000 <i>(Note 3)</i>	149,000,000	5.81%
Lee Yiu Sun	100,019,000	–	100,019,000	3.90%
Japhet Sebastian Law	1,520,000	–	1,520,000	0.06%

Notes:

- (1) Mr. Richard Yingneng Yin was deemed to be interested in 324,006,000 shares through his controlling interest in Asia Network Holdings Limited. For details of the shareholding of Asia Network Holdings Limited in the Company, please refer to Note (4) and Note (5) hereto.
- (2) Mr. Wang Wenming held 206,042,000 shares of the Company. Ms. Chen Dongjin, the spouse of Mr. Wang Wenming, held 119,916,000 shares of the Company. As such, Mr. Wang Wenming was deemed to be interested in 325,958,000 shares of the Company.
- (3) Dr. Kennedy Wong Ying Ho was deemed to be interested in 145,000,000 shares through his controlling interests in Limin Corporation Limited and Limin Corporation. In addition, please refer to "Short positions in underlying shares of the Company" below for details of Dr. Kennedy Wong Ying Ho's short positions in the underlying shares of the Company.

(b) Long positions in underlying shares of the Company

(i) Share option scheme of the Company

Pursuant to the share option scheme adopted by the Company on 17th December, 2001 (the "Share Option Scheme"), the Directors were granted share options to subscribe for shares of the Company. Details of the outstanding share options as at 30th June, 2008 were as follows:

Name of Director	Date of grant	Number of share options				Option period	Exercise price HK\$	
		Outstanding as at 1st January, 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			Outstanding as at 30th June, 2008
Richard Yingneng Yin	05/09/2007	16,000,000	-	11,000,000	-	5,000,000	05/09/2007-04/09/2017	0.228
Lee Yiu Sun	05/09/2007	4,000,000	-	-	-	4,000,000	05/09/2007-04/09/2017	0.228
Michael Wu Wai Chung	05/09/2007	2,000,000	-	-	-	2,000,000	05/09/2007-04/09/2017	0.228

(ii) *Subscription agreement involving granting of share options*

Pursuant to a conditional subscription agreement dated 4th February, 2005, the Company, amongst others, granted on an one-off basis an aggregate of 350,000,000 new share options of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin) and Mr. Richard Yingneng Yin. Out of the 250,000,000 share options granted to Asia Network Holdings Limited and Mr. Richard Yingneng Yin, the outstanding amount as at 30th June, 2008 was as follows:

Name of Director	Date of grant	Number of share options outstanding as at 1st January, 2008	Exercised during the period	Outstanding as at 30th June, 2008	Exercise period	Exercise price per share HK\$
Richard Yingneng Yin	29/04/2005	15,000,000	15,000,000	-	29/04/2005 – 28/04/2009	0.026

(iii) *Option Deeds*

Name of Director	Number of shares Corporate Interest	Approximate percentage of shareholding
Richard Yingneng Yin	150,000,000 (note 4 and note 5)	5.85%

Notes:

- (4) Pursuant to an option deed dated 31st August, 2005, Asia Network Holdings Limited, a corporation controlled by the director of the Company Mr. Richard Yingneng Yin, has entered into an option deed with Limin Corporation Limited (a corporation controlled by Dr. Kennedy Wong Ying Ho) whereby Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the capital of the Company at such time and such price when Limin Corporation Limited intends to transfer or to dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Limin Corporation Limited ceases to be interested in the shares. On 14th November, 2007, 100,000,000 shares out of the said 200,000,000 shares were sold by Limin Corporation Limited to a third party upon Asia Network Holdings Limited not exercising its option to purchase such shares.

- (5) Pursuant to an option deed dated 31st August, 2005, Asia Network Holdings Limited, a corporation controlled by the director of the Company Mr. Richard Yingneng Yin, has also entered into an option deed with Mr. Lee Yiu Sun ("Mr. Lee") whereby Mr. Lee granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the capital of Company at such time and such price when Mr. Lee intends to transfer or to dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Mr. Lee ceases to be interested in the shares.

(iv) *Agreement and Supplemental Agreement involving granting of share options*

Pursuant to the Agreement dated 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming, a director of the Company, an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share (the "Option") in each of the 12-month period ending 30th June, 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfillment of certain conditions as stipulated in the Agreements. At as 30th June, 2008, no share had been issued under the Option.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors, nor the chief executive, nor any of their respective spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

(c) **Short positions in underlying shares of the Company**

Name of Director	Number of shares		Approximate percentage of shareholding
	Personal Interests	Corporate Interests	
Kennedy Wong Ying Ho	–	100,000,000 (note 4)	3.90%
Lee Yiu Sun	50,000,000 (note 5)	–	1.95%

Save as disclosed above, none of the Directors or chief executive of the Company had, as at 30th June, 2008, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as is known to any Directors or chief executive of the Company, as at 30th June, 2008, the following persons (not being a Director or chief executive of the Company) had interests in the shares or underlying shares which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

(a) Long positions in shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
First Vanguard Group Limited (note 1)	Interest in a controlled corporation	324,006,000	12.63%
Asia Network Holdings Limited (note 1)	Beneficial owner	324,006,000	12.63%
Wang Wenming and Chen Dongjin (note 2)	Beneficial owners	325,958,000	12.71%

Notes:

- (1) First Vanguard Group Limited was deemed to be interested in 324,006,000 shares through its controlling 100% interest in Asia Network Holdings Limited.
- (2) Ms. Chen Dongjin held 119,916,000 shares of the Company. Ms. Chen Dongjin is the spouse of a director of the Company, Mr. Wang Wenming who held 206,042,000 shares of the Company. As such, they were deemed to be collectively interested in 325,958,000 shares of the Company.

(b) Long positions in underlying shares of the Company

Name of shareholders	Capacity	Number of shares	Approximate percentage of shareholding
First Vanguard Group Limited	Interest in a controlled corporation	150,000,000 (note 3)	5.85%
Asia Network Holdings Limited	Beneficial owner	150,000,000 (note 3)	5.85%
Wang Wenming and Chen Dongjin	Beneficial owners	60,000,000 (note 4)	2.34%

Notes:

- (3) The 150,000,000 shares represent the aggregate interests in 100,000,000 shares and 50,000,000 shares under the two respective option deeds entered into by Asia Network Holdings Limited with Limin Corporation Limited (a corporation controlled by a director of the Company Dr. Kennedy Wong Ying Ho) and with Mr. Lee Yiu Sun (a director of the Company).

Pursuant to the former option deed, Limin Corporation Limited granted Asia Network Holdings Limited an option to purchase all or part of Limin Corporation Limited's 200,000,000 shares in the capital of the Company at such time and such price when Limin Corporation Limited intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Limin Corporation Limited ceases to be interested in the shares. On 14th November, 2007, 100,000,000 shares out of the said 200,000,000 shares were sold by Limin Corporation Limited to a third party upon Asia Network Holdings Limited not exercising its option to purchase such shares.

Pursuant to the other option deed entered into with Mr. Lee Yiu Sun, Mr. Lee Yiu Sun granted Asia Network Holdings Limited an option to purchase all or part of his 50,000,000 shares in the capital of the Company at such time and such price when Mr. Lee Yiu Sun intends to transfer or dispose of all or part of the shares to any person during the period commencing on 31st August, 2005 till the date when Mr. Lee Yiu Sun ceases to be interested in the shares.

- (4) On 16th November, 2007, Mr. Wang Wenming was granted an option which entitles him to subscribe up to 60,000,000 shares of the Company subject to the fulfillment of the conditions as stipulated in the Agreement dated 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited by the Group. As Ms. Chen Dongjin is the spouse of Mr. Wang Wenming, they were deemed to be collectively interested in the said option granted to Mr. Wang Wenming.

Save as disclosed above, as at 30th June, 2008, the Company had not been notified of any other person (other than the Directors whose interests are set out in the section “Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

Details of the Options Granted by the Company

(a) Share Option Scheme of the Company

The Company operates a share option scheme under which persons working for the interest of the Group are entitled to an opportunity to obtain equity interest in the Company (the “Share Option Scheme”). The number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes is not permitted to exceed 30% of the shares of the Company in issue from time to time, without prior approval from the Company’s shareholders.

The maximum number of shares issued and to be issued upon exercise of options granted and to be granted pursuant to the Share Option Scheme and any other share options scheme of the Company to any person (including both exercised and outstanding options) in any 12-month period up to the date of grant of options shall not exceed 1% of the shares of the Company in issue, without prior approval from the Company’s shareholders.

On 5th September, 2007, options to subscribe for an aggregate of 32,400,000 shares of the Company were granted to the Directors and certain employees of the Company. As at 30th June, 2008, details of the outstanding options were as follows:

Date of grant	Number of share options					Option period	Exercise price HK\$
	Outstanding as at 1st January, 2008	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding as at 30th June, 2008		
05/09/2007	23,500,000	-	12,000,000	-	11,500,000	05/09/2007 – 04/09/2017	0.228
05/09/2007	500,000	-	-	-	500,000	05/09/2008 – 04/09/2017	0.228

(b) Subscription agreement involving granting of share options

The Company entered into a conditional subscription agreement on 4th February, 2005 pursuant to which the Company, amongst others, granted on a one-off basis an aggregate of 350,000,000 new share options of which 250,000,000 were granted to Asia Network Holdings Limited (a corporation controlled by Mr. Richard Yingneng Yin) and Mr. Richard Yingneng Yin. The transaction was approved by the shareholders at an extraordinary general meeting of the Company held on 1st April, 2005. As at 30th June, 2008, details of the outstanding share options were as follows:

Date of grant	Outstanding	Exercised	Number of	Exercise	Exercise
	as at		share options		
	1st January,	during	as at	period	share
	2008	the period	30th June,		HK\$
			2008		
29/04/2005	40,000,000	15,000,000	25,000,000	29/04/2005 – 28/04/2009	0.026

(c) Agreement and Supplemental Agreement involving granting of share options

Pursuant to the Agreement dated 11th July, 2007 and the Supplemental Agreement dated 30th July, 2007 relating to the acquisition of the entire shareholding of GoHi Holdings Limited (collectively the "Agreements"), the Company granted to Mr. Wang Wenming an option to subscribe for 20,000,000 shares of the Company at an exercise price of HK\$0.15 per share (the "Option") in each of the 12-month period ending 30th June, 2008, 2009 and 2010 respectively (i.e. a maximum of 60,000,000 shares) subject to the fulfilment of certain conditions as stipulated in the Agreements. At as 30th June, 2008, no share had been issued under the Option.

Purchase, Redemption or Sale of Listed Securities

During the period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

Interest in Competitors

An independent non-executive director of the Company, Mr. Michael Wu Wai Chung, also acts as an independent non-executive director of another listed company (SW Kingsway Capital Holdings Limited) whose subsidiaries engage in securities-related business which may compete with the Group in this aspect of its business. The Board however considers that there is no conflict of interest in this regard.



Compliance with Rules 5.48 to 5.67 of the GEM Listing Rules

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company's Directors have complied with such code of conduct and the required standard of dealings.

Audit Committee

The Audit Committee has reviewed the financial statements of the Group for the six months period ended 30th June, 2008 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

Corporate Governance

The Company was in compliance with the code provisions set out in the Code on Corporate Governance Practices as contained in Appendix 15 of the GEM Listing Rules.

By order of the Board
First China Financial Holdings Limited
LEE YIU SUN
Executive Director

Hong Kong, 13th August, 2008

As of the date of this report, the Board is comprised of (i) two executive Directors, namely, Mr. Wang Wenming and Mr. Lee Yiu Sun; (ii) two non-executive Directors, Mr. Richard Yingneng Yin and Mr. Wong Chun Kong; and (iii) three independent non-executive Directors, namely, Mr. Michael Wu Wai Chung, Dr. Japhet Sebastian Law and Dr. Tsang Hing Lun.