

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

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



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)

CLARIFICATION ANNOUNCEMENT

The Parties entered into the Agreement and the Supplemental Agreement in 2007 in relation to the sale and purchase of the entire issued share capital of the Holding Company.

The Board clarifies that on 5 December 2008 the Parties executed the Letter of Confirmation clarifying that, notwithstanding any provision to the contrary in the Agreement, the Parties have confirmed that before the Completion of the Agreement they had a Mutual Understanding & Agreement that provided that the consolidated accounts of the Holding Company as at Completion showed that the Net Assets were in excess of the RMB8,000,000, the Parties agreed and allowed the Distribution of dividends of the amount in excess of the RMB8,000,000 to the Seller

as the sole shareholder of the Holding Company prior to Completion.

Since the 2007 Announcement and the Circular did not mention the Mutual Understanding & Agreement and the Distribution, the Board issues this clarification announcement (“Clarification Announcement”).

The omission of the Mutual Understanding and Agreement in the 2007 Announcement and Circular may constitute a breach of the Listing Rules and the SFC reserves its rights to take appropriate action against the Company and its Directors in respect of potential breaches of the Listing Rules.

Reference is made to the 2007 Announcement and the Circular in regard to the major transaction involving the proposed acquisition of the entire shareholding of the Holding Company. The Company would like to clarify as follows.

The Mutual Understanding & Agreement

As stated in the 2007 Announcement and the Circular, the Parties entered into the Agreements in relation to the sale and purchase of the entire issued share capital of the Holding Company.

Pursuant to clause 9.1 (d) of the Agreement, each of the Seller and the Warrantor warrants, represents and undertakes that the Net Assets as at Completion shall not be less than RMB8,000,000.

Notwithstanding any provision to the contrary in the Agreement, before Completion the Parties had a Mutual Understanding & Agreement that provided that the consolidated accounts of the Holding Company as at Completion showed that the Net Assets were in excess of the said RMB8,000,000, the Parties agreed and allowed the Distribution.

The Completion Date for the Acquisition of the entire equity interests in the Holding Company was 16 November 2007.

Clarification by Letter of Confirmation

The 2007 Announcement and Circular did not mention the Mutual Understanding & Agreement and the Distribution. On 5 December 2008, the Parties executed the Letter of Confirmation clarifying that notwithstanding any provision to the contrary in the Agreement, the Parties have confirmed that before Completion they had a Mutual Understanding & Agreement that provided that the consolidated accounts of the Holding Company as at Completion showed that the Net Assets were in excess of the said RMB8,000,000, the Parties agreed and allowed the Distribution.

Reasons for the delay in making this Clarification Announcement and for the non-disclosure of the Distribution in the 2007 Announcement and Circular

Completion of the Acquisition of the entire equity interests in the Holding Company by the Company took place on the Completion Date, and accordingly the post-acquisition results of the Holding Company were included in the consolidated financial statements of the Group as from the Completion Date.

As shown in the Accountants' Report, the results of the Holding Company were audited up to 30 June 2007 only. The results of the Holding Company prior to the Completion Date for the period from 1 July 2007 to 15 November 2007 were not subject to an independent audit. The Company considered that it was not in a good position to verify the accuracy of the results of the Holding Company for the aforesaid period prior to the Completion Date which might in turn affect the consolidated net assets of the Holding Company as at the Completion Date. Therefore, it is prudent for the Company not to make a clarification announcement and to disclose the Distribution of RMB18,692,000 in the 2007 Announcement and Circular before any audited results for the said period.

Pursuant to the terms of the Agreements in respect of the Acquisition, the Special Purpose Financial Statements should be reviewed by auditors in order to ascertain the net profit of the Holding Company for each of the years ending 30 June 2008, 2009 and 2010 which would be used as a basis to determine the number of the Consideration Shares, the Bonus Shares and/or the Option Shares, if any, to be issued by the Company to the Seller and the Warrantor respectively. Accordingly, the Directors of the Company consider that it would be prudent, as well as in the interests of the Company and the shareholders as a whole, to wait until the issue of the Special Purpose Financial Statements of the Holding Company for the year from 1 July 2007 to 30 June 2008 so as to confirm that the Holding Company remained profitable for the pre-acquisition period (i.e. prior to 16 November 2007) and for the post-acquisition period (i.e. from 16 November 2007 to 30 June 2008), as a basis to confirm the consolidated net assets of the Holding Company at the Completion Date.

The Special Purpose Financial Statements of the Holding Company for the year from 1 July 2007 to 30 June 2008 have been issued recently and the Net Assets prior to the Completion Date were in excess of RMB8 million. Therefore, the directors proceeded to make this clarification announcement about the Distribution of RMB18,692,000.

The 2007 Announcement and Circular have already disclosed that each of the Seller and the Warrantor warrants, represents and undertakes that the Net Assets as at Completion shall not be less than RMB8,000,000. The Pro Forma Financial Information has also reflected such intention of the Parties by adjusting the Net Assets as at 30 June 2007 to RMB8,000,000 through a distribution of reserves of RMB23,652,000 to the Seller. Therefore, the intention regarding the Distribution to the Seller as per the Mutual Understanding & Agreement is one of the material terms

to the Agreement. As such intention has made known clearly in the 2007 Announcement and the Circular and the non-disclosure of the Distribution of RMB18,692,000 is due to the prudence of the Company as mentioned above, the omission of the Mutual Understanding & Agreement in the 2007 Announcement and the Circular is not considered material.

Financial impact of the Distribution on the Company

The Distribution would be approximately RMB18,692,000. The financial impact on the Group as regards the Distribution would be an increase in goodwill of approximately RMB18,692,000 and a corresponding reduction in other receivables of the same amount on the consolidated balance sheet of the Group. It is not expected to have an impact on the consolidated income statement as well as the cash position of the Group since the Distribution relates to the profit/reserves of the Holding Company prior to Completion and the Group has only started to consolidate the results of Holding Company after Completion.

The basis upon which the Distribution was determined

The Distribution is based on the consolidated net profit of the Holding Company which was approximately RMB18,692,000 for the period from 1 July 2007 to 15 November 2007 (i.e. the date prior to Completion).

Comparing the financial impact to the Group with and without the Distribution

According to the Pro Forma Financial Information, the reserves of the Holding Company that could be distributed to the Seller as at 30 June 2007 were approximately RMB23,652,000 and such amount had been distributed to the Seller in cash prior to Completion. The Distribution of RMB18,692,000 would be made by offsetting the other receivables due from the Seller. The following is a table showing the impact to the Group with or without the Distribution of RMB18,692,000 (equivalent to approximately HK\$20,748,000):

	Consolidated balance sheet as per interim report as at 30th June 2008 (before distribution) HK\$'000	Adjustment due to distribution as at 30th June 2008 HK\$'000	Adjusted consolidated balance sheet as at 30th June 2008 HK\$'000
Non-current assets			
Property, plant and equipment	5,711	0	5,711

Intangible assets	495,156	20,748	515,904
Statutory deposit	2,030	0	2,030
Investments in associates	137	0	137
Available-for-sale financial assets	1,163	0	1,163
	<u>504,197</u>	<u>20,748</u>	<u>524,945</u>
Current assets			
Trade receivables	41,365	0	41,365
Other receivables	43,361	(20,748)	22,613
Bank balances and cash	90,370	0	90,370
	<u>175,096</u>	<u>(20,748)</u>	<u>154,348</u>
Total assets	<u>679,293</u>	<u>0</u>	<u>679,293</u>
Current liabilities			
Trade payables	14,207	0	14,207
Other payables	13,742	0	13,742
Current income tax liabilities	2,708	0	2,708
	<u>30,657</u>	<u>0</u>	<u>30,657</u>
Net current assets	<u>144,439</u>	<u>(20,748)</u>	<u>123,691</u>
Net assets	<u>648,636</u>	<u>0</u>	<u>648,636</u>

The Distribution as it relates to the Pro Forma Financial Information contained in the Circular

The pro forma adjustment in note 4 of the Pro Forma Financial Information was based on one of the terms of the Agreement which provides that each of the Seller and the Warrantor warrants, represents and undertakes that the consolidated net assets of the Holding Company as at the Completion Date shall not be less than RMB8,000,000.

According to the Accountants' Report, the net assets of the Holding Company as at 30 June 2007 were RMB31,652,000. Based on the aforesaid provision in the Agreement, the total pre-acquisition reserves that could be distributed by the Holding Company to the Seller would be approximately RMB23,652,000.

From 1 July 2007 to 15 November 2007, the net profit of the Holding Company was approximately RMB18,692,000. As such, the total pre-acquisition reserves that could be distributed by the Holding Company to the Seller should be the sum of

RMB23,652,000 and RMB18,692,000.

Under section “*Sales Shares*” on page 17 of the Circular, it was disclosed that “*the undistributed profits of*” First China Shenzhen “*prior to 30 June 2007 in the amount of RMB34,743,349.13*” were to be “*distributed as dividends to the Seller prior to Completion.*” Such amount was based on the management accounts of First China Shenzhen which had not been audited. After completion of the audit as per the Accountants’ Report, the Net Assets (i.e. including First China Shenzhen) as at 30 June 2007 were approximately RMB31,652,000. Therefore, the total pre-acquisition reserves that could be distributed to the Seller by the Holding Company for the period prior to 30 June 2007 were RMB23,652,000 as per the Pro Forma Financial Information. In this respect, the actual amount that had been paid for such period was RMB23,652,000 which is less than the amount of RMB34,743,349.13 as mentioned in the Circular.

Opinion of the Board

The Mutual Understanding & Agreement would not affect or change in any manner the directors’ opinion and recommendation as stated under the section “Recommendation” on page 33 of the Circular because it has always been the intention of the Parties to distribute the amount of Net Assets in excess of RMB8,000,000 at Completion to the Seller.

Confirmation by the Directors

The information contained in the 2007 Announcement and the Circular is complete in all material respects save and except the Distribution of RMB18,692,000 which had not been disclosed therein as such amount can only be ascertained recently after the issue of the Special Purpose Financial Statements for the year ended 30 June 2008. The Directors confirm that the information contained in the 2007 Announcement and the Circular is accurate, not misleading or deceptive.

Material impact of the Mutual Understanding & Agreement on the contents in the 2007 Announcement and the Circular relating to the GEM Listing Rules

The Company confirms that the Mutual Understanding & Agreement has no material impact on the contents in the 2007 Announcement and the Circular relating to the GEM Listing Rules of 19.58(5), (6) and (9).

Connected Person

Mr. Wang, the director and one of the shareholders of the Seller, is also the Chairman

of the Company. Mr. Wang is beneficially interested in 12.58% of the shares in the Company. The Seller is therefore a Connected Person of the Company.

Intention of the Company

The Board does not expect that there will be any significant change in the operations and the existing business of the Company after the implementation of the Distribution.

DEFINITIONS

“2007 Announcement”	means the announcement of the Company dated 30 July 2007 in relation to, among other things, the Acquisition;
“Accountants’ Report”	means the accountants’ report in Appendix II of the Circular
“Agreement”	means the sale and purchase agreement dated 11 July 2007 entered among the Company, the Purchaser, First China Shenzhen, the Holding Company, the Seller and Mr. Wang Wenming;
“Agreements”	means the Agreement and the Supplemental Agreement;
“Acquisition”	means the acquisition of the entire equity interests in the Holding Company by the Company
“Board”	means the board of directors of the Company
“Bonus Shares”	means the new Company Shares to be issued and allotted to the Seller pursuant to the Agreements;
“Circular”	means the circular of the Company dated 22 October 2007 in relation to, among other things, the Acquisition;
“Company”	means FIRST CHINA FINANCIAL HOLDINGS LIMITED (formerly known as INTERNATIONAL FINANCIAL NETWORK HOLDINGS LTD.), a company incorporated under the laws of the Cayman Islands whose principal office is situated at 2802-4, 28/F., The Gateway, Tower 6, 9 Canton Road, Tsimshatsui, Kowloon, Hong Kong, the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited;

“Company Shares”	means the ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Completion”	means completion of the sale and purchase of the Sale Shares in accordance with the Agreements upon the Conditions are satisfied or otherwise waived;
“Completion Date”	means the 16th day of November 2007, the date on which the Completion took place;
“Conditions”	means the conditions precedent contained or referred to in the Agreements;
“Connected Person”	has the same meaning as ascribed to it under the Listing Rules;
“Consideration Shares”	means the 600,000,000 new Company Shares in total to be allotted and issued all credited as fully paid to the Seller pursuant to the Agreements as consideration for the proposed acquisition of the Sale Shares;
“Directors”	means the director(s) (including executive directors, non-executive directors and independent non-executive directors) of the Company;
“Distribution”	means a distribution of dividends of the amount in excess of the RMB8,000,000 to the Seller as the sole shareholder of the Holding Company prior to Completion;
“First China Shenzhen”	means 首华证券咨询(深圳)有限公司 (transliterated as FIRST CHINA SECURITIES CONSULTANCY (SHENZHEN) CO., LTD. or formerly transliterated as FIRST CHINA INVESTMENT SERVICES LIMITED), formerly known as 深圳市股海观潮投资顾问有限公司 (transliterated as SHENZHEN GUHAIGUANCHAO INVESTMENT CONSULTANT CO., LTD.), a Wholly Owned Foreign Enterprise (WOFE) established in the People’s Republic of China (“PRC”) with its registered office at Room 2704, Level 27 Tower A Jiangsu Building, Yitian Road, Futian District, Shenzhen, China (中国深圳市福田区益田路江苏大厦 A 座 27 楼 2704 室);
“Group”	means the Company and its subsidiaries;

“Holding Company”	means GOHI HOLDINGS LIMITED (formerly known as “LION ZONE HOLDINGS LIMITED”), a company existing under the laws of the British Virgin Islands, which is the sole shareholder of First China Shenzhen and owns 100% interests in the capital of First China Shenzhen ;
“Letter of Confirmation”	means a letter of confirmation executed by the Parties on 5 December 2008 clarifying that notwithstanding any provision to the contrary in the Agreement, the Parties has confirmed that before Completion it was their Mutual Understanding & Agreement that provided that the consolidated accounts of the Holding Company as at Completion showed that the Net Assets were in excess of the said RMB8,000,000, the Parties agreed and allowed the Distribution;
“Mr. Wang”	means WANG WENMING (王文明), a PRC citizen residing at Futian District, Shenzhen, China, a major shareholder of the Seller;
“Mutual Understanding & Agreement”	means the Parties’ mutual understanding and agreement that provided that the consolidated accounts of the Holding Company as at Completion showed that the Net Assets were in excess of the said RMB8,000,000, the Parties agreed and allowed the Distribution of dividends of the amount in excess of the said RMB8,000,000 to the Seller as the sole shareholder of the Holding Company prior to Completion;
“Net Assets”	means all the assets of the Holding Company and the Subsidiaries (as consolidated) including intangible assets, intellectual property and goodwill less all the liabilities of the Holding Company and the Subsidiaries (if applicable) including all contingent liabilities;
“Options”	means the option to subscribe the Option Shares granted by the Company in favour of the Warrantor;
“Options Shares”	means the new Company Share(s) to be issued and allotted to the Warrantor pursuant to the exercise by the Warrantor of the Option;
“Parties”	means the Company, the Purchaser, First China

Shenzhen, the Holding Company, the Seller and Mr. Wang;

- “Pro Forma Financial Information” means the unaudited pro forma financial information of the enlarged group as per Appendix III of the Circular;
- “Purchaser” means ACEVIEW INTERNATIONAL LIMITED, a company existing under the laws of the British Virgin Islands whose registered address is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, is a wholly owned subsidiary of First China;
- “Sale Shares” means the 35,000 ordinary shares of US\$1.00 each in the capital of the Holding Company, such shares being beneficially owned by and registered in the name of the Seller prior to Completion;
- “Seller” means FAME TREASURE LIMITED (誉宝有限公司), a company existing under the laws of the British Virgin Islands whose registered address is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, who was the sole shareholder of the Holding Company owning 35,000 shares which represented 100% of the issued share capital of the Holding Company prior to 16 November 2007;
- “Special Purpose Financial Statements” means the consolidated accounts of the Holding Company for each of the three years ended 30 June 2008, 2009 and 2010;
- “Subsidiaries” means the subsidiaries of the Holding Company, including First China Shenzhen and its subsidiaries, if any;
- “Supplemental Agreement” means the supplemental agreement entered into by and among the Company, the Purchaser, the Seller, the Holding Company, First China Shenzhen and Mr. Wang on 30 July 2007;
- “Warrantor” means WANG WENMING (王文明), a PRC citizen residing at Futian District, Shenzhen, China, a major shareholder of the Seller;

Note: For illustration purpose of this announcement, exchange rate of

RMB1=HK\$1.11 has been used for conversion.

By Order of the Board of
First China Financial Holdings Limited
Lee Yiu Sun
Executive Director

Hong Kong, 16 December, 2008

As of the date of this announcement, the Board is comprised of (i) two executive Directors, namely Mr. Wang Wenming and Mr. Lee Yiu Sun; and (ii) three independent non-executive Directors, namely Dr. Tsang Hing Lun, Professor Zhang Benzheng and Mr. Yen Jong Ling.

This announcement will remain on the GEM website on the “Latest Company Announcements” page for at least 7 days from the date of its posting.